

OFFICIAL STATEMENT DATED MAY 8, 2007

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax so long as that interest is excluded from gross income for federal income tax purposes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. (For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.)

NEW ISSUE – BOOK-ENTRY-ONLY

Ratings: See "RATINGS" herein.

\$108,100,000

\$32,840,000

**MARICOPA COUNTY PUBLIC FINANCE CORPORATION
LEASE REVENUE BONDS,
SERIES 2007A**

**MARICOPA COUNTY PUBLIC FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2007B**

Dated: Date of Delivery

Due: July 1, as shown on the inside front cover

The Maricopa County Public Finance Corporation Lease Revenue Bonds, Series 2007A (the "Series 2007A Bonds") and the Maricopa County Public Finance Corporation Lease Revenue Refunding Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds") will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof. The Bonds are authorized by separate Resolutions adopted by the Board of Supervisors of Maricopa County, Arizona (the "County"). The Bonds will initially be issued in book-entry form and held by the nominee of Cede & Co., as nominee for DTC of The Depository Trust Company ("DTC") as the registered holder. Payments of principal, premium, if any, and interest with respect to the Bonds, shall be payable directly to the DTC nominee as registered owner, with disbursements to the Beneficial Owners. Interest is payable semiannually on July 1 and January 1, commencing January 1, 2008. The Bonds are payable from Lease Payments to be paid by the County pursuant to a Series 2001 Lease-Purchase Agreement, dated as of June 1, 2001 (the "Original Lease"), as supplemented, including as supplemented by a Series 2007 Supplement to Lease-Purchase Agreement, dated May 1, 2007 (the "Series 2007 Supplement to Lease" and collectively with the Original Lease as supplemented and as it may be further supplemented, the "Lease") between the Maricopa County Public Finance Corporation (the "Corporation") and the County, pursuant to which the Leased Property described below has been and will be leased to the County by the Corporation. The rights of the Corporation under the Lease, including the Lease Payments thereunder, have been and will be assigned to the Trustee to secure the Bonds pursuant to the Trust Indenture, dated as of June 1, 2001 (the "Original Indenture"), as supplemented, including as supplemented by a Series 2007 Supplement to Indenture, dated May 1, 2007 (the "Series 2007 Supplement to Indenture" and together with the Original Indenture as supplemented and as it may be further supplemented, the "Indenture") between the Corporation and The Bank of New York Trust Company, N.A. as trustee (the "Trustee"). The Lease Payments will be made directly to the Trustee pursuant to the Lease.

The Series 2007A Bonds will be subject to optional, mandatory and special redemption as more fully described herein. The Series 2007B Bonds are not subject to optional redemption but will be subject to special redemption as more fully described herein. See "Redemption Provisions" herein.

Proceeds from the sale of the Bonds will be used (i) to refund or prepay certain maturities of the Corporation's Lease Revenue Bonds, Series 2001; (ii) to assist the Corporation in financing the costs of purchasing certain real property and improvements thereon; (iii) to pay the costs to construct additional improvements thereto; (iv) to fund a deposit into a debt service reserve fund; and (v) to pay the costs relating to the issuance of the Bonds. The Lease will continue in full force and effect until June 30, 2007, subject to annual renewal for additional fiscal periods (July 1 through June 30) through and including the fiscal period ending June 30, 2031, unless the Lease is not renewed prior thereto pursuant to the provisions thereof.

The scheduled payment of principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation concurrently with the delivery of the Bonds.

Ambac

THE COUNTY'S OBLIGATION TO MAKE LEASE PAYMENTS, AND ANY OTHER FINANCIAL OBLIGATIONS OF THE COUNTY UNDER THE LEASE, WILL BE SUBJECT TO AND DEPENDENT UPON ANNUAL APPROPRIATIONS BEING MADE BY THE COUNTY. IN THE EVENT NO APPROPRIATION IS MADE FOR ANY SUCCEEDING FISCAL YEAR, THE LEASE WILL NOT BE RENEWED AND THERE CAN BE NO ASSURANCE THAT THE PROCEEDS, IF ANY, FROM LEASING THE LEASED PROPERTY TO ANOTHER LESSEE(S) FOR THE REMAINING TERM OF THE LEASE WILL BE SUFFICIENT TO PAY PRINCIPAL OR INTEREST WHEN PAYABLE WITH RESPECT TO THE BONDS. NONE OF THE BONDS, THE LEASE, THE OBLIGATIONS OF THE COUNTY PURSUANT TO THE LEASE OR ANY OTHER OBLIGATIONS OF THE COUNTY ENTERED INTO IN CONNECTION THEREWITH SHALL BE CONSTRUED TO CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF ARIZONA OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE CORPORATION HAS NO TAXING AUTHORITY NOR ANY ASSETS OR OTHER REVENUE FROM WHICH THE BONDS CAN OR WILL BE PAID. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

See "RISK FACTORS" for a discussion of some of the risks inherent in investing in the Bonds.

This Official Statement has been prepared by the County in connection with the original offering for sale of the Bonds referred to above. The Bonds are offered when, as and if issued, and subject to the approving opinion of Squires, Sanders & Dempsey L.L.P. as to validity and tax exemption. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York on or about May 23, 2007.

This cover page contains only a brief description of the Bonds and the security therefor. It is not a summary of material information with respect to the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

MATURITY SCHEDULE

\$108,100,000

MARICOPA COUNTY PUBLIC FINANCE CORPORATION LEASE REVENUE BONDS, SERIES 2007A

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No. 566877 (a)	Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No. 566877 (a)
2008	\$2,085,000	4.000%	3.650%	DC7	2020	\$ 4,410,000	5.000%	4.000%	DQ6
2009	2,680,000	4.000	3.700	DD5	2021	4,630,000	4.100	4.100	DR4
2010	2,785,000	4.000	3.700	DE3	2022	4,820,000	5.000	4.060	DS2
2011	2,895,000	4.000	3.700	DF0	2023	5,060,000	5.000	4.090	DT0
2012	3,015,000	5.000	3.720	DG8	2024	5,315,000	5.000	4.120	DU7
2013	3,165,000	5.000	3.740	DH6	2025	5,580,000	4.500	4.460	DV5
2014	3,320,000	5.000	3.770	DJ2	2026	5,830,000	4.500	4.470	DW3
2015	3,490,000	5.000	3.800	DK9	2027	6,090,000	4.750	4.350	DX1
2016	3,660,000	5.000	3.840	DL7	2028	6,380,000	4.750	4.360	DY9
2017	3,845,000	5.000	3.880	DM5					
2018	4,040,000	5.000	3.920	DN3					
2019	4,240,000	4.000	4.000	DP8					

\$20,765,000 Term Bond at 3.500% Due July 1, 2031, Yield 4.540% CUSIP 566877DZ6 (a)

\$32,840,000

MARICOPA COUNTY PUBLIC FINANCE CORPORATION LEASE REVENUE REFUNDING BONDS, SERIES 2007B

Maturity Date (July 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No. 566877 (a)
2012	\$7,130,000	4.000%	3.720%	EA0
2013	8,210,000	4.000	3.740	EB8
2014	8,520,000	5.000	3.790	EC6
2015	8,980,000	4.000	3.790	ED4

(a) Copyright 2003, American Bankers' Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for information only. The County takes no responsibility for the accuracy of such numbers.

MARICOPA COUNTY PUBLIC FINANCE CORPORATION

Shelby Scharbach, *President and Director*
Tom Manos, *Secretary and Director*
Loretta Barrel, *Treasurer and Director*

MARICOPA COUNTY, ARIZONA

BOARD OF SUPERVISORS

Fulton Brock, *Chairman*
Andrew Kunasek, *Member*
Donald Stapley, *Member*
Mary Rose Wilcox, *Member*
Max Wilson, *Member*

ADMINISTRATION

David Smith, *County Manager*
Sandi Wilson, *Deputy County Manager*
Tom Manos, *Chief Financial Officer*

BOND COUNSEL

Squire, Sanders & Dempsey L.L.P.
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.
Phoenix, Arizona

TRUSTEE

The Bank of New York Trust Company, N.A.
Tempe, Arizona

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the Maricopa County Public Finance Corporation (the “Corporation”) Lease Revenue Bonds, Series 2007 (the “Series 2007A Bonds”) or the Corporation Lease Revenue Refunding Bonds, Series 2007B (the “Series 2007B Bonds” and, together with the Series 2007A Bonds, the “Bonds”), identified on the inside front cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth in this Official Statement has been provided by the Corporation, Maricopa County, the State of Arizona Department of Revenue and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Corporation or Piper Jaffray & Co. (the “Financial Advisor”). The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation. No person, including any broker, dealer or salesman has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct, will be realized or will be repeated in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or any other parties or matters described herein since the date thereof.

The issuance and sale of the Bonds will not be registered under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Arizona Securities Act in reliance upon exemptions provided under such Acts for the issuance and sale of securities such as the Bonds. The Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, State or other government entity or agency will have passed upon the merits of the Bonds or the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All forecasts, projections, assumptions, opinions or estimates are “forward looking statements,” which must be read with an abundance of caution and which may not be realized or may not occur in the future.

The Corporation will covenant to provide continuing disclosure as described in this Official Statement under “CONTINUING SECONDARY MARKET DISCLOSURE” and in Appendix G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

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\$108,100,000
MARICOPA COUNTY PUBLIC FINANCE
CORPORATION
LEASE REVENUE BONDS,
SERIES 2007A

\$32,840,000
MARICOPA COUNTY PUBLIC FINANCE
CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2007B

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto, is furnished in connection with the offering by the Maricopa County Public Finance Corporation (the "Corporation"), an Arizona nonprofit corporation, of its Lease Revenue Refunding Bonds, Series 2007A (the "Series 2007A Bonds") in the aggregate principal amount of \$108,100,000 and its Lease Revenue Refunding Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Bonds") in the aggregate principal amount of \$32,840,000.

The Bonds are being issued under a Trust Indenture, dated as of June 1, 2001 (the "Original Trust Indenture"), between The Bank of New York Trust Company, N.A., formerly known as BNY Western Trust Company, as trustee (the "Trustee"), and the Corporation, as supplemented by a Series 2003 Supplement, dated as of December 1, 2003 (the "Series 2003 Supplement to Indenture") and the Series 2007 Supplement to Indenture, dated May 1, 2007 (the "Series 2007 Supplement to Indenture" and, together with the Series 2003 Supplement and Original Indenture as it may further be supplemented, the "Indenture").

The Series 2007A Bonds will be subject to optional and special redemption as more fully described herein. The Series 2007B Bonds are not subject to optional redemption but will be subject to special redemption as more fully described herein. See "THE BONDS - Redemption Provisions" herein.

Proceeds of the Series 2007A Bonds will be used by the Corporation to (i) acquire certain parcels of land (the "Series 2007A Leased Land") and existing improvements (the "Series 2007A Existing Improvements") and (ii) to construct additional improvements (the "Series 2007A New Improvements" and together with the Series 2007A Leased Land and the Series 2007A Existing Improvements, the "Series 2007A Leased Property"). The Series 2007A Leased Property will be leased to Maricopa County, Arizona (the "County") pursuant to the Lease described below. Proceeds of the Series 2007B will be used to refund certain maturities of the Series 2001 Bonds. See "PLAN OF REFUNDING" herein.

The Bonds are payable from semiannual Lease Payments (as defined herein) to be made by the County pursuant to a Series 2001 Lease-Purchase Agreement, dated as of June 1, 2001 (the "Original Lease"), between the Corporation, as lessor, and the County, as lessee, as amended by a Series 2003 Amendment, dated as of December 1, 2003 (the "Series 2003 Amendment to Lease") and amended by a Series 2007 Amendment, dated May 1, 2007 (the "Series 2007 Amendment to Lease" and, together with the Original Lease and the Series 2003 Amendment, the "Lease"), and certain amounts held by the Trustee under the Indenture. The Bonds are being issued as "Additional Bonds" under the Indenture on a parity with the outstanding \$65,355,000 aggregate principal amount of the Corporation's Lease Revenue Bonds, Series 2001 (the "Series 2001 Bonds") and the outstanding \$7,195,000 aggregate principal amount of the Corporation's Lease Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds") under the Indenture, and any Additional Bonds subsequently executed and delivered under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds, along with the Series 2001 Bonds and the Series 2003 Bonds and any Additional Bonds issued pursuant to the Indenture subsequent to the issuance of the Bonds (collectively, the "Outstanding Bonds"), are payable from semiannual Lease Payments made by the County pursuant to the Lease. All Outstanding Bonds, including the Bonds, are payable from the Lease Payments and secured by the property interests held by the Trustee pursuant to the Indenture on a parity basis.

The obligations of the County under the Lease are payable exclusively from annually appropriated funds and are not a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each Fiscal Year (as defined herein), at the option of the County. If so terminated, the County shall thereafter be relieved of any subsequent obligation under the Lease other than to surrender possession of the Leased Property (as defined herein) to the Trustee. The Lease will also terminate upon the occurrence of an Event of Default (as defined herein) thereunder by the County and the election of the Trustee to terminate the Lease Term (as defined herein). In the event of any such termination, there is no assurance of payment of the principal of or interest on the Outstanding Bonds, including the Bonds, from funds available under the Indenture as a result of the Trustee's re-leasing or sale of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

THE BONDS ARE PAYABLE SOLELY FROM LEASE PAYMENTS REQUIRED TO BE MADE BY THE COUNTY FROM THE SOURCES IDENTIFIED ABOVE AND FROM FUNDS AVAILABLE UNDER THE INDENTURE. THE OBLIGATION OF THE COUNTY TO MAKE LEASE PAYMENTS UNDER THE LEASE IS NOT SECURED BY A PLEDGE OF ANY FUNDS, DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION NOR CONSTITUTE A GENERAL OBLIGATION OF THE COUNTY NOR AN INDEBTEDNESS OF THE COUNTY, THE STATE OF ARIZONA (THE "STATE" OR "ARIZONA") OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Under the Lease, the County is required to pay Base Rent (as defined herein) comprising the Lease Payments equal to the principal of and interest on the Outstanding Bonds, including the Bonds, unless the Lease is terminated as provided therein. Such Base Rent will be held in trust by the Trustee only for payment to the registered owners of the Bonds. The County is also required to pay Additional Rent (as defined herein) under the Lease, which includes amounts necessary to restore the Reserve Fund (as defined herein) to the required amount, to pay any taxes and assessments and the cost of maintenance and repair of the Leased Property and to pay other fees and obligations. See Appendix D – "SUMMARY OF LEGAL DOCUMENTS – Lease" herein.

Unless and until discontinued, the Bonds will be held in book-entry-only form by The Depository Trust Company, a registered securities depository ("DTC"), and beneficial interests therein may only be purchased and sold, and payments of principal of and interest on the Bonds will be made only to Beneficial Owners (as defined herein), through participants in the DTC system. Beneficial interests in the Bonds will be in denominations described on the inside front cover page herein. See Appendix E – "BOOK-ENTRY-ONLY SYSTEM."

Ambac Assurance Corporation (the "Insurer") has committed to issue, effective as of the date of original delivery of the Bonds, its insurance policies (the "Policy") insuring the scheduled payment of principal of and interest on the Bonds when due. See "BOND INSURANCE" herein. A specimen of the form of the Policy is included in this Official Statement as Appendix J – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Ambac Assurance Corporation delivered, effective as of the date of original delivery of the Series 2001 Bonds and the Series 2003 Bonds, its Financial Guaranty Insurance Policies insuring the scheduled payment of principal of and interest on the Series 2001 Bonds and the Series 2003 Bonds.

The Insurer will have the right to consent on behalf of Owners of the Bonds to certain amendments to the Lease and the Indenture without notice to or consent of such Owners. The Insurer will also have the right to control the exercise of remedies under the Lease and the Indenture and to direct and control the acceleration of the Outstanding Bonds, including the Bonds.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is

made that past experience, as shown by the financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes or uncoded, or of the Arizona Constitution, are references to those provisions in their current form. Those provisions may be amended, repealed or supplemented.

Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings given to such terms in Appendix D under the heading “SUMMARY OF LEGAL DOCUMENTS – Definitions.”

See “RISK FACTORS” for a discussion of certain risks inherent in investing in the Bonds.

This Official Statement contains descriptions of the Bonds, the Indenture and the Lease. The descriptions of the Bonds, the Indenture and the Lease and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the complete documents, copies of which are available from the County’s financial advisor, Piper Jaffray & Co., 2525 E. Camelback Road, Suite 925, Phoenix, Arizona 85016.

THE BONDS

Authorization and Purpose

The Corporation will use the proceeds of the Bonds to (i) to refund or prepay certain maturities of the Corporation’s Lease Revenue Bonds, Series 2001 as described under “PLAN OF REFUNDING”; (ii) buy and improve the 2007A Leased Property pursuant to the Series 2007A Acquisition and Assignment Agreement dated as of May 1, 2007 between the Corporation and the County (the “Acquisition Agreement”); (iii) pay the premium for a debt service surety bond; and (iv) to pay costs associated with the issuance of the Bonds. Under the Lease, the County will lease the Leased Property from the Corporation for approximately 25 years at which time title will pass back to the County. The County’s obligation to make Lease Payments under the Lease is subject to annual appropriation, as described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Non-Appropriation.” For a description of the Leased Property see “THE LEASED PROPERTY” herein.

General Provisions

The Bonds will be executed and issued by the Corporation in fully registered form in denominations of \$5,000 or any whole multiple thereof. The Bonds will be dated as of their initial delivery date and will bear interest from their dated date until paid at the rates shown on the inside cover page of this Official Statement, payable semiannually on January 1 and July 1 of each year (the “Interest Payment Dates”) commencing on January 1, 2008, to and including their maturity or redemption dates. The Bonds will initially be issued in book-entry form and registered in the name of Cede & Co., as registered owner and nominee of the Depository Trust Company, New York, New York (“DTC”). See Appendix E - “BOOK-ENTRY-ONLY SYSTEM.” Subject to the provisions summarized in Appendix E - “BOOK-ENTRY-ONLY SYSTEM”, (i) the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender of such Bond to the Trustee, and (ii) payment of interest on the Bonds will be made by check or draft mailed by the Trustee to the Owner of the Bonds at the address of the Owner shown on the registration records maintained by the Trustee as of the fifteenth day of the calendar month next preceding the applicable Interest Payment Date or with the approval of the Corporation the Trustee may enter into an agreement with an Owner for payment to be made at the place and in the manner provided in such agreement.

Redemption Provisions

Optional Redemption - Series 2007A Bonds. The Series 2007A Bonds maturing on and after July 1, 2017 will be subject to redemption at the option of the Corporation (at the direction of the County) prior to maturity, in whole or in part, in any order of maturity as directed by the Corporation, in increments of \$5,000 on July 1, 2016, or on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption.

Optional Redemption - Series 2007B Bonds. The Series 2007B Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption.-Series 2007A Bonds. The Series 2007A maturing on July 1, 2031 are subject to mandatory sinking fund redemption prior to maturity, by lot, as selected by the Bond Registrar, at a redemption price of par plus accrued interest to the date of redemption, but without premium, on the following dates and in the following principal amounts:

<u>Redemption Date (July 1)</u>	<u>Principal Amount</u>
2029	\$6,685,000
2030	6,920,000
2031(a)	7,160,000

(a) Final Maturity.

Special Redemption - All Bonds. In the event the Lease is terminated due to an Event of Non-Appropriation, or an Event of Default occurs under the Lease, the Bonds will be subject to special redemption with the prior written consent of Ambac Assurance at any time for which the required notice has been given, in whole or in part at a price equal to par plus accrued interest to the redemption date.

In addition, in the event of total damage, destruction or condemnation of any portion of the Leased Property and the determination by the County not to restore the Leased Property, the Bonds will be subject to special redemption in whole or in part, at any time for which the required notice has been given, solely from the Net Proceeds of insurance, self-insurance or condemnation awards, at a price equal to par plus accrued interest to the redemption date. See Appendix D - “SUMMARY OF LEGAL DOCUMENTS – The Indenture – Net Proceeds – Establishment of Net Proceeds Fund; Application of Net Proceeds of Insurance Proceeds or Condemnation Awards.

Notice of Redemption. Notice of redemption of any Bond will be mailed to the respective Owners, initially only DTC, of the Bond or Bonds being redeemed at the addresses shown on the register maintained by the Trustee not more than sixty (60) nor less than thirty (30) days prior to the date set for redemption. Neither failure to give notice to any owner of a Bond nor any defect in any notice will affect the validity of the proceedings for the redemption of any Bond with respect to which notice is properly given. Any failure on the part of DTC or on the part of a Direct or Indirect Participant in the DTC Book-Entry-Only system to notify the Beneficial Owner of the Bonds so affected will not affect the validity of the redemption of the Bonds.

Notice having been given in the manner provided above, the Bonds and portions thereof called for redemption will become due and payable on the redemption date. If moneys sufficient to redeem all the Bonds or portions thereof called for redemption are held by the Trustee on the redemption date and if proper notice of redemption shall have been given, then the Bonds or portions thereof called for redemption will cease to be entitled to receive interest with respect thereto and will no longer be considered Outstanding under the Indenture. Any moneys held by the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds to be redeemed.

PLAN OF REFUNDING

Proceeds of the Series 2007B Bonds (net of costs of issuance), together with a deposit of \$860,000 of County funds, will be placed in an irrevocable depository trust account (the “Depository Trust”) with The Bank of New York Trust Company, N.A., as depository trustee (the “Depository Trustee”), to be applied to the payment of principal, premium, if any, and interest on certain of the Corporation’s Lease Revenue Bonds, Series 2001 being refunded (the “Bonds Being Refunded”) when due or upon prepayment. See “Bonds Being Refunded” below. The Bonds Being Refunded financed a portion of the Leased Property. See “THE LEASED PROPERTY” herein.

The Depository Trust held by the Depository Trustee will be used to acquire direct obligations of the United States of America (“Government Obligations”) the principal of, premium, if any, and interest on which, when due, are calculated to be sufficient, together with any initial cash balance in the Depository Trust, to provide monies to pay the principal of, premium, if any, and interest to become due on the Bonds Being Refunded. (See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.) Such Depository Trust will be held by the Depository Trustee irrevocably in trust for the payment of the Bonds Being Refunded.

Bonds Being Refunded

<u>Issue Series</u>	<u>Maturity Date (July 1)</u>	<u>Interest Rate</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount Refunded</u>	<u>Redemption Date (July 1)</u>	<u>CUSIP No. 566877 (a)</u>
2001	2012	5.500%	\$ 6,840,000	\$ 6,840,000	2011	AL0
	2013	5.500	8,010,000	8,010,000	2011	AM8
	2014	5.500	7,915,000	7,915,000	2011	AN6
	2014	4.700	520,000	520,000	2011	AZ9
	2015	5.500	7,995,000	7,995,000	2011	AP1
	2015	4.800	935,000	935,000	2011	BA3
			<u>\$32,215,000</u>	<u>\$32,215,000</u>		

- (a) Copyright 2003, American Bankers' Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for information only. The County takes no responsibility for the accuracy of such numbers.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants (the "Verification Agent"), will deliver to the Corporation, on or before the date of the initial issuance and delivery of the Bonds, its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Financial Advisor on behalf of the Corporation and the County. Included in the scope of its examination will be a verification of the accuracy of the (a) mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations to pay, when due or called for redemption, the principal of, interest on and redemption premium, if any, related to the Bonds Being Refunded and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The examination performed by the Verification Agent will be based solely upon data, information and documents provided to the Verification Agent by the Financial Advisor on behalf of the Corporation and the County. The Verification Agent's report will state that the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Outstanding Bonds, including the Bonds, and the interest and premium thereon, if any, are special limited obligations of the Corporation, payable solely from Revenues, which consist primarily of Lease Payments (other than Unassigned Corporations' Rights) under the Lease. Revenues also include all moneys in addition to Lease Payments received or to be received by the Corporation or the Trustee in respect of the Lease, including, without limitation, moneys and investments in the Series 2007A Acquisition and Construction Fund, the Interest Fund, the Bond Retirement Fund and the Reserve Fund, all Net Proceeds received by the Trustee under any liability or casualty insurance policies or upon condemnation, and all income and profit from the investment of the foregoing monies other than that required to be rebated to the United States. The Revenues have been assigned to the Trustee to secure the payment of the Bonds.

THE BONDS, AND THE INTEREST THEREON AND THE PREMIUM, IF ANY, ARE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE EXCLUSIVELY FROM REVENUES. THE BONDS DO NOT CONSTITUTE A DEBT, LOAN OF CREDIT OR A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE CORPORATION OR OF THE COUNTY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OR THE COUNTY. THE BONDS SHALL NOT CONSTITUTE, DIRECTLY OR INDIRECTLY, OR CONTINGENTLY OBLIGATE OR OTHERWISE CONSTITUTE A GENERAL OBLIGATION OF OR A CHARGE AGAINST THE GENERAL CREDIT OF THE CORPORATION, BUT SHALL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM THE SOURCES DESCRIBED IN THE INDENTURE, BUT NOT OTHERWISE. THE CORPORATION HAS NO TAXING POWER.

See “RISK FACTORS” for a discussion of certain risks inherent in investing in the Bonds.

The Lease

Under the terms of the Lease, the County is obligated to pay on each Lease Payment Date an amount equal to the Lease Payment then due. The Lease Payment due on each Lease Payment Date equals the aggregate amount of the principal of, premium, if any, and interest on the Bonds becoming payable on the ensuing Interest Payment Date, plus any Additional Rent due on such date. The Lease Term will end on the date on which all Lease Payments and all other amounts due under the Lease have been paid, unless sooner terminated in accordance with the provisions of the Lease.

The Lease provides that the County’s obligation to pay the Lease Payments is absolute and unconditional, without any right of set-off or counterclaim, subject to and dependent upon annual Appropriations being made by the County to pay Lease Payments. See “Non-Appropriation” below. The County covenants in the Lease that it will, to the extent permitted by law, include in its budget for each Fiscal Year during the Term of the Lease a sufficient amount to permit the County to make all of the Lease Payments and other payments required under the Lease. For a description of the budget process see “FINANCIAL MATTERS – Introduction – Budget Process” herein. The County’s obligation to pay Lease Payments will continue until all Lease Payments and all other amounts due under the Lease have been paid, unless the Lease is sooner terminated in accordance with its provisions.

The Lease Payments cannot be accelerated under the Lease or the Indenture.

The current term of the Lease will expire on June 30, 2007. The term shall be deemed extended automatically by the County for successive periods of one Fiscal Year each, commencing on the first day of each such Fiscal Year for which an Appropriation has been made by the last date on which the County may adopt a budget for that Fiscal Year. If the County does not make an Appropriation of moneys sufficient to pay Lease Payments in any succeeding Fiscal Year, the Lease will terminate and the County will be required to vacate and return possession of the Leased Property to the Trustee, all in accordance with and subject to the terms of the Lease and the Indenture. In that event, the Trustee would be entitled to exercise all available remedies, which could include re-leasing, or selling the Leased Property. See “Non-Appropriation” below. Amounts sufficient to make Lease Payments through June 30, 2007 have been appropriated by the County.

Non-Appropriation

The County’s obligation to pay Lease Payments and any other obligations of the County under the Lease are subject to and dependent upon annual Appropriations by the Board. Each such obligation is a current expense of the County, payable exclusively from appropriated moneys, and not a general obligation or indebtedness of the County. If in any Fiscal Year the Board fails to appropriate moneys to pay Lease Payments, then the County will be relieved of any subsequent obligation under the Lease. The Lease provides that if, prior to the last date occurring in any Fiscal Year in which the County is required or permitted to adopt its budget for such Fiscal Year, the County fails to make an Appropriation for the Lease Payments for such Fiscal Year, an Event of Non-Appropriation will be deemed to have occurred and the Lease will terminate as of June 30 of the preceding Fiscal Year.

In the event the Lease is terminated due to an Event of Non-Appropriation, the County is under no obligation to make any future Lease Payments and is not expected to continue to make such Lease Payments. Under such circumstances the Trustee (subject to proper indemnification of the Trustee) will have all legal and equitable rights and remedies to take possession of the Leased Property and/or to require the Corporation to convey the Leased Property to the Trustee, and the County agrees to surrender possession of the Leased Property to the Trustee in at least as good condition and repair as when delivered to the County, ordinary wear and tear excepted. In such event the Bonds will, with the consent of Ambac Assurance, be subject to special redemption as described under “THE BONDS—Redemption Provisions - *Special Redemption*.”

The Lease provides that each of the parties thereto acknowledges that Appropriation is a legislative act beyond the control of the Corporation or Trustee.

Flow of Funds

General. All moneys and investments held by the Trustee under the Indenture (except moneys and investments in the Rebate Fund) is irrevocably held in trust for the benefit of the Owners and the County, as their interests appear, and for the purposes specified in the Indenture, and such moneys, and any income or interest earned thereon, may be expended only as provided in the Indenture and may not be subject to levy or attachment by lien by or for the benefit of any creditor of the Trustee or the County.

Funds. The Indenture creates the following funds: the Revenue Fund, the Interest Fund, the Bond Retirement Fund, the Reserve Fund, the Series 2007A Acquisition and Construction Fund, and the Net Proceeds Fund.

Flow of Funds. The semi-annual Lease Payments to be paid by the County shall be deposited in the Revenue Fund. The Trustee shall withdraw monies from the Revenue Fund as follows:

- (a) One business day prior to each Interest Payment Date the Trustee shall deposit in the Interest Fund an amount equal to the amount of interest becoming due and payable on the Outstanding Bonds on the next Interest Payment Date. Each such deposit shall be made so that adequate monies for the payment of interest will be available in such fund on each date that interest payments are to be made on the Outstanding Bonds.
- (b) One business day prior to each Principal Payment Date, the Trustee shall deposit in the Bond Retirement Fund an amount equal to the principal amount of the Outstanding Bonds becoming due and payable on the next Principal Payment Date.

The respective transfers relating to accounts established for Additional Bonds shall be set forth in the Supplemental Indenture authorizing the issuance thereof.

Reserve Fund

The Indenture requires that the Reserve Fund be maintained in an amount equal to the Reserve Requirement. All amounts credited to the Reserve Fund are to be held by the Trustee solely for the benefit of the Owners of the Bonds. In the event the amount credited to the Reserve Fund is less than the Reserve Requirement, the County is required over a 12-month period to restore the Reserve Fund to an amount equal to the Reserve Requirement by making payments of Additional Rent pursuant to the Lease. See Appendix D “SUMMARY OF LEGAL DOCUMENTS –Lease – *Additional Rent*.” If on any Interest Payment Date or Principal Payment Date moneys in the Interest Fund or Bond Retirement Fund do not equal the amount of the interest or principal, respectively, due and payable on such date, the Trustee will be required to transfer moneys available in the Reserve Fund to the Interest Fund and Bond Retirement Fund, as appropriate, to make up any shortfall. Amounts in the Reserve Fund shall be used and withdrawn solely for the purpose of paying the interest on or principal of the Bonds in the event that no other money of the Corporation is available therefor, or for the retirement of all of the Bonds then outstanding.

If on any Lease Payment Date the amount in the Reserve Fund exceeds the Reserve Requirement and if the Corporation is not then in default under the Indenture, the Trustee shall withdraw the amount of any such excess

from such fund and shall apply such amount, on a pro rata basis, first to the Interest Fund and second to the Bond Retirement Fund. The County shall receive a credit towards Base Rent owed on any Lease Payment Date to the extent funds which exceed the Reserve Requirement are transferred to the Interest Fund or the Bond Retirement Fund.

The Indenture permits the execution and delivery of a supplemental indenture, with the consent of Ambac Assurance, but without the consent of the Owners of the Bonds to facilitate the substitution of an insurance policy, surety bond or letter of credit, the provider of which has unsecured obligations in one of the two highest rating categories of each Rating Agency, in satisfaction of the Reserve Requirement for the Bonds or any Additional Bonds. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – The Indenture-*Supplemental Indentures Not Requiring Consent of Owners.*”

Surety Bond

The Insurer has committed to issue, effective as the date of the original delivery of the Bonds, a Surety Bond for the purpose of funding a portion of the Reserve Fund to cause the amount in the Reserve Fund to equal the Reserve Requirement, see Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Corporation is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Corporation is subordinate to the Corporation's Bonds with respect to the Bonds.

In the event the amount on deposit, or credited to the Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the “Additional Funding Instrument”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be deposited from next available Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

Additional Bonds

The Indenture permits the Corporation to issue Additional Bonds from time to time on parity with the Bonds, the Series 2001 Bonds and any Additional Bonds thereafter issued for the purpose of refunding any Bonds or acquiring, constructing, reconstructing or improving buildings, equipment and other real and personal properties for the use of the County. The Indenture includes, among others, the following conditions which must be satisfied prior to the issuance of Additional Bonds:

- (a) no Event of Default shall exist under the Lease, or the Indenture, as supplemented;
- (b) if the issuance of such Additional Bonds causes the Reserve Requirement to increase, then at the time of issuance of such Additional Bonds either cash or eligible investments (described in clauses (1) or, (2) of the definition of Eligible Investments set forth in Appendix D -“SUMMARY OF LEGAL DOCUMENTS - Definitions”) shall be provided to the Trustee so that the Reserve Requirement shall be satisfied;
- (c) receipt by the Trustee of executed amendments to the Lease and the Indenture providing for the issuance and payment of the Additional Bonds; and
- (d) the Trustee shall have received Rating Confirmations with respect to any Bonds which are not supported by bond insurance. See Appendix D – “SUMMARY OF LEGAL DOCUMENTS – The Indenture –Authorization and Terms of Outstanding Bonds; Additional Bonds”

The Corporation has the capacity, which the provisions of the Lease do not limit, to issue other obligations (in addition to obligations related to Additional Bonds) which would be paid by the County from the County's unrestricted current operating funds, which are the same funds the County will use to make Lease Payments under the Lease. The Corporation currently anticipates the issuance of approximately \$130,000,000 of Additional Bonds during Fiscal Year 2007-2008 to complete the construction of the New Improvements described under the caption “LEASED PROPERTY” herein. Such Additional Bonds will also be secured by the Lease and will be on a parity with the Bonds. It is not anticipated that any additional real property will be added to the Lease in connection with the issuance of such Additional Bonds.

Net Proceeds Fund

Net Proceeds or condemnation awards of less than \$500,000 are to be retained by the County and applied to replace the Leased Property damaged or destroyed. Any Net Proceeds or condemnation awards of \$500,000 or more collected by the Corporation, Trustee or the County shall be transferred to the Trustee and deposited by the Trustee in the Net Proceeds Fund and at the election of the County will be used to pay the costs of repairing or replacing the portion of the Leased Property lost. In the event of total damage, destruction and condemnation of all or a portion of the Leased Property, if the County does not elect to repair or replace such portion of the Leased Property the Net Proceeds or other insurance or condemnation proceeds shall be transferred, *pro rata*, to the Interest Fund and the Bond Retirement Fund and applied to the next Lease Payments to come due or used to redeem Bonds in advance of their due date in accordance with the special redemption provisions of the Indenture. See “THE BONDS” – Redemption Provisions – *Special Redemption*.”

Limitations on Remedies

The enforceability of the Lease and the Indenture will be subject to bankruptcy laws and other laws affecting creditor's rights and to the exercise of judicial discretion. Because of the delays inherent in obtaining judicial remedies, it should not be assumed that the remedies available to the Trustee could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Leased Property could result in delays in the payment of the principal of and interest on the Bonds.

The Indenture will provide that prior to exercising any remedies; the Trustee may require that satisfactory indemnification and assurances be provided to it for reimbursement of all reasonable expenses which it may incur in exercising its remedies. Such assurances may include but are not limited to, environmental audits or other evidence satisfactory to the Trustee that it will not incur liability by reason of any remedial action taken pursuant to the Indenture.

In the event that an Event of Non-Appropriation occurs, there can be no assurance that the proceeds from any re-letting or sale of the Leased Property will be sufficient to pay in full the principal of or interest on the then Outstanding Bonds. With the prior written consent of Ambac Assurance, the Bonds will be subject to special redemption upon the occurrence of an Event of Non-Appropriation. See "THE BONDS – Redemption Provisions – Special Redemption."

Defeasance

The Bonds will be subject to defeasance and will be deemed paid or provided for with moneys or Defeasance Obligations provided by the County in connection with the County's exercise of its option to purchase the Leased Property prior to the scheduled maturity of all Bonds or an advance refunding of the Bonds.

Ambac Assurance as Owner of the Bonds

Ambac Assurance will have the right to consent on behalf of Owners (with limited exceptions) to amendments of the Lease and the Indenture without notice to or consent of the Owners or beneficial owners.

BOND INSURANCE

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance Corporation ("Ambac Assurance") has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and/or interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from The Bank of New York, N.A. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay the principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Financial Guaranty Insurance Policy shall be fully discharged.

In the event The Bank of New York, N.A. has notice that any payment of principal of or interest on a Bond that has become Due for Payment and that is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, non-appellable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment (as set forth in the Financial Guaranty Insurance Policy). Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;
2. payment of any redemption, prepayment or acceleration premium; and
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of the principal of or interest on such Bond and will be fully subrogated to the surrendering holder's rights to payment.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$10,015,000,000 and statutory capital of approximately \$6,371,000,000 as of December 31, 2006. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Obligations. No representation is made by the Insurer regarding the federal income tax treatment of payments that are made by the Insurer under the terms of the Financial Guaranty Insurance Policy due to nonappropriation of funds by the Obligor.

The Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Insurer and presented under the heading "BOND INSURANCE".

Available Information

The parent company of the Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E. Room 1580., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following document filed by the Company with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and filed on March 1, 2007.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

THE INFORMATION RELATING TO THE INSURER AND THE FORM OF ITS FINANCIAL GUARANTY INSURANCE POLICY HAS BEEN FURNISHED BY THE INSURER. SUCH INFORMATION HAS NOT BEEN VERIFIED BY THE CORPORATION, THE CITY, THE TRUSTEE OR THE UNDERWRITERS OR THEIR COUNSEL OR BOND COUNSEL AND IS NOT TO BE CONSTRUED AS A PROMISE OR GUARANTEE AS TO ACCURACY OR COMPLETENESS BY THE CORPORATION, THE COUNTY, THE TRUSTEE, THE UNDERWRITERS OR THEIR COUNSEL OR BOND COUNSEL.

THE LEASED PROPERTY

Under the Lease, the Leased Property is comprised of the following:

The 2007 Leased Property

The Series 2007A Leased Property consists of (i) the Animal Care and Control Facility located on the southwest corner of 27th Avenue and Esterbrooks Boulevard in Phoenix, Arizona and (ii) the Southwest Justice Court Facility located on the northeast corner of Van Buren Street and 105th Avenue in Avondale, Arizona.

The Animal Control Facility will serve as the County's sole facility. Construction is planned to begin in April 2007 and is scheduled for completion in March 2008. This 227,000 square-foot facility will include administrative areas, public areas, business offices and a hospital. The building will also feature indoor kennels and kennel support areas, field enforcement area and a truck wash.

The Southwest Justice Court Facility is set to house Justice Courts, the Assessor's Office, Adult and Juvenile Probation offices, and classrooms. The construction of this 220,000 square foot facility is planned to begin in September 2007 and is scheduled for completion in March 2009.

The following table shows the current estimated value of the Series 2007 Leased Land and existing improvements on that land.

	<u>Value</u>
Animal Care and Control Facility	\$ 1,450,000
Southwest Justice Court Facility	11,050,000

Source: Maricopa County.

The County anticipates that it will complete the Series 2007A New Improvements by the end of fiscal year 2007-08. The total value of the Series 2007 Leased Property upon completion of the Series 2007 Improvements is estimated to be in excess of \$47.3 million. To complete construction of the Southwest Justice Court Facility and other improvements, the Corporation anticipates the sale of approximately \$130 million in Additional Bonds during fiscal year 2007-08. Such Additional Bonds will be issued on parity with the Outstanding Bonds.

The 2003 Leased Property

The 2003 Leased Property consists of (i) the County's adult detention facility known as the Estrella Jail Complex (the "Estrella Facility") and (ii) various improvements made to the Estrella Facility.

The Estrella Facility consists of a one and two-story adult detention facility with a total floor area of 148,158 square feet. The structures are located at 2939 West Durango Street, Phoenix, Arizona. The facility has a bed capacity for 880 inmates in both dormitory and cellblock type housing areas and is currently used to house adult inmates, both male and females. The facility is one of the County's principal adult jail facilities and the facility site is currently being used as the location for additional temporary inmate housing in a cluster of canvas tents on concrete slabs, situated in the south and west portions of the site.

The 2001 Leased Property

A portion of the Series 2001 Bond proceeds were used by the Corporation to acquire certain parcels of land (the "2001 Leased Land") and improvements thereon (the "Existing Improvements") and to finance a portion of the costs of constructing on the 2001 Leased Land (1) the Maricopa County Administration Center (the "Administration Center"), (2) a Forensic Science Center (the "Forensic Science Center"), and (3) a parking garage and customer service center for the Clerk of the Superior Court of Maricopa County (the "Superior Court Customer Service Center," and together with the Administration Center and the Forensic Science Center, the "New Improvements.") The Existing Improvements include the portions of the Forensic Science Center and the Superior Court Customer Service Center and were completed on the date of issuance and delivery of the Series 2001 Bonds and also include a previously constructed Security Center Building. A portion of the Series 2001 Bond proceeds, in the amount of \$27.90 million, were used to reimburse the County for expenditures previously made by the County on governmental projects not included as part of the 2001 Leased Property.

The 2001 Leased Property is located in downtown Phoenix, Arizona ("Phoenix") and is used for essential governmental purposes, including general governmental, administrative and judicial services, some of which are mandated by law.

The Forensic Science Center, containing approximately 60,000 square feet of space and a parking structure with 1,000 parking spaces, includes public service areas, offices and conference rooms for medical examiners and various laboratories. The Forensic Science Center is located on the southwest corner of Jefferson Street and 7th Avenue. The cost of constructing the Forensic Science Center and related improvements was approximately \$29.30 million. Construction of the Forensic Science Center was completed in August 2002.

The Superior Court Customer Service Center is a nine-story building located on the south side of Jackson Street between Fifth Avenue and Seventh Avenue. The first two floors are used to store Clerk of the Superior Court records and provide space for other Court activities. The remaining eight floors contain a parking garage for approximately 1,700 County employees. The cost of the Superior Court Customer Service Center was approximately \$25.20 million. Construction was completed in June 2001.

The County acquired the Security Center Building containing 280,612 gross square feet, in February 2001, at a total cost of approximately \$9.87 million. An additional \$10.79 million has been spent on capital improvements. The Security Center Building, a historic building originally constructed in the 1920's, is used by the Public Defender's office. The County completed additional improvements for Americans with Disabilities Act compliance and other capital improvements.

The County has completed the acquisition of the 2001 Leased Land and the Existing Improvements and has completed construction of the New Improvements listed above. The remainder of the Net Proceeds of the Series 2001 Bonds (approximately \$50.00 million) was used for the construction of the County Public Health Facility and various capital improvements to Justice Court facilities.

The following table shows the current estimated value of the 2001 Leased Land and improvements on that land.

	<u>Value</u>
Administration Center (Land)	\$ 6,470,000
Forensic Science Center and Garage	29,330,000
Superior Court Customer Service Center & Garage	25,200,000
Security Building	20,650,000
Estrella Jail	16,120,000
Downtown Consolidated Justice Courts	32,860,000
	<hr/>
Total	<u>\$130,630,000</u>

Title Insurance

The Corporation shall provide a title insurance policy in the amount of not less than \$12,950,000.00 (which represents the approximate value of the land to be pledged as Series 2007A Leased Land and Existing Improvements on that land), insuring the Trustee's interest in the Leased Property under the Lease, subject only to Permitted Encumbrances (as defined herein).

SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds from the sale of the Bonds and certain other moneys are as follows:

Sources of Funds:	<u>2007A</u>	<u>2007B</u>
Par Amount	\$108,100,000.00	\$32,840,000.00
Net Original Issue Premium/Discount	622,245.75	973,842.00
County Contribution		860.000
	<hr/>	<hr/>
Total Sources	<u>\$108,722,245.75</u>	<u>\$34,673,842.00</u>
Uses of Funds:		
Deposit to Acquisition & Construction Fund	\$107,500,000.00	
Purchase of Government Obligations and Beginning Cash		
Deposit to be held by the Depository Trustee		\$34,414,010.77
Costs of Issuance (a)	1,222,245.75	259,831.23
	<hr/>	<hr/>
Total Uses	<u>\$108,722,245.75</u>	<u>\$34,673,842.00</u>

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- (a) Includes Bond Counsel fees, Depository Trustee fees, Financial Advisor fees, Underwriter's discount, the Policy premium, the debt service reserve surety premium, printing costs, rating agency fees and other related costs.

LEASE PAYMENTS

The following schedule reflects the semiannual payment requirements of the Outstanding Bonds, including the Bonds. Such payments correspond to the Lease Payments which will be payable by the County pursuant to the Lease on each December 26 and June 26 preceding each January 1 and July 1 payment date on the Bonds. The County anticipates that, with respect to the Bonds, a portion of the revenues used to pay Lease Payments under the Lease will originate from the County's General Fund.

Schedule of Lease Payments on the Series Bonds (a) (c)

Fiscal Year Ending (July 1)	Lease Revenue Bonds Outstanding (b)	Plus:		Plus:		Total Combined Annual Payment Requirements
		The 2007A Bonds to be Issued		The 2007B Bonds to be Issued		
		Principal	Interest (c)	Principal	Interest (c)	
2007	\$ 8,581,563					\$ 8,581,563
2008	9,346,501	\$ 2,085,000	\$ 5,325,218 (d)		\$ 1,546,451(d)	18,303,170
2009	9,227,558	2,680,000	4,733,380		1,398,800	18,039,738
2010	9,255,320	2,785,000	4,626,180		1,398,800	18,065,300
2011	8,166,190	2,895,000	4,514,780		1,398,800	16,974,770
2012	1,128,910	3,015,000	4,398,980	\$ 7,130,000	1,398,800	17,071,690
2013	24,440	3,165,000	4,248,230	8,210,000	1,113,600	16,761,270
2014	544,440	3,320,000	4,089,980	8,520,000	785,200	17,259,620
2015		3,490,000	3,923,980	8,980,000	359,200	16,753,180
2016		3,660,000	3,749,480			7,409,480
2017		3,845,000	3,566,480			7,411,480
2018		4,040,000	3,374,230			7,414,230
2019		4,240,000	3,172,230			7,412,230
2020		4,410,000	3,002,630			7,412,630
2021		4,630,000	2,782,130			7,412,130
2022		4,820,000	2,592,300			7,412,300
2023		5,060,000	2,351,300			7,411,300
2024		5,315,000	2,098,300			7,413,300
2025		5,580,000	1,832,550			7,412,550
2026		5,830,000	1,581,450			7,411,450
2027		6,090,000	1,319,100			7,409,100
2028		6,380,000	1,029,825			7,409,825
2029		6,685,000	726,775			7,411,775
2030		6,920,000	492,800			7,412,800
2031		7,160,000	250,600			7,410,600
	<u>\$ 46,274,922</u>	<u>\$ 108,100,000</u>		<u>\$ 32,840,000</u>		<u>\$ 266,397,481</u>

- (a) The schedule of payment requirements for the Bonds was prepared by Piper Jaffray & Co., Financial Advisor to the County.
- (b) Net of Bonds to Be Refunded.
- (c) The holders of the Bonds have no claim on any lease payments other than the lease payments under the Lease to be applied to pay the Bonds.
- (d) Interest is actual .

THE CORPORATION

The Corporation is an Arizona nonprofit corporation formed in 1994 for the purpose of acquiring land and constructing thereon various municipal and civic projects to be sold and used by the County and to assist the County in any other municipal financing needs.

The Corporation will enter into the Series 2007 Supplement to Lease and the Series 2007 Supplement to Indenture and the Acquisition Agreement to facilitate the financing of the Leased Property. The Corporation is not financially liable for the payment of principal of or interest on the Bonds and the Owners will have no right to look to the Corporation for payment of the Bonds except to the extent of Lease Payments received from the County under the Lease, amounts held under the Indenture or Revenues derived from the Leased Property.

THE COUNTY

Organization

The County is governed by a five-member Board, each of whom is elected for a four-year term to represent one of the designated districts within the County. The chairman is selected by the Board from among its members. The Board is responsible for establishing the policies of the various County departments and approving the annual budgets of these departments. The Board appoints a County Administrative Officer who is responsible for the general administration and overall operation of the various departments of the County.

Brief resumes of the Board Members, County Administrative Officer, Deputy County Administrative Officer and Chief Financial Officer are set forth below.

R. Fulton Brock - Chairman

Supervisor Brock has three times served as Chairman of the Board of Supervisors and three times as Vice Chairman. He has served as Chairman of Maricopa County Hospital Board. He currently serves on the Greater Phoenix Economic Council Board of Directors, the Maricopa Association of Governments' (MAG) Regional Aviation System Planning Committee and the Phoenix & Valley of the Sun Convention & Visitors Bureau. He is also a member of the Valley Transit Authority, a founding member of the Arizona Venture Capital Conference, and is also active in various East Valley Chambers of Commerce.

Supervisor Brock has served as Chairman of the Maricopa County Hospital Board and on the Governor's Science and Technology Council. Other activities include the Governor's Merit Award; National Federation of Independent Business Guardian of Small Business Award; Arizona Management Society; Tempe YMCA fund-raiser; Boy Scouts of America Eagle Scout and Scoutmaster; Pop Warner and Little League sports, former member of the Arizona House of Representatives, Mesa Rotary Club, and advisor to United Food Bank.

Supervisor Brock supports drug rehabilitation programs such as the Alpha Program operated by the Maricopa County Sheriff's Department in the Maricopa County Jail system. Supervisor Brock has also been a strong supporter of crime diversion programs such as Teen Courts. For the last several years Supervisor Brock has worked with community groups in the East Valley to sponsor community clean-ups. Mr. Brock is a registered investment advisor.

Andrew W. Kunasek - Maricopa County District 3 Supervisor

By the unanimous vote of his fellow board members, Andy Kunasek was appointed to the Board of Supervisors in September of 1997. Supervisor Kunasek was subsequently elected by the constituency of District 3 in 1998 and reelected in 2000 and 2004. He was then elected Chair of the Board for 2000 and again in 2004.

Supervisor Kunasek is an Arizona native and is a graduate of Mountain View High School. He earned a bachelors degree in management from Arizona State University in 1986.

Kunasek owns interests in citrus and cattle operations, and is president of Mercado Management, a diversified land acquisition and real estate management company.

Kunasek has been active in his community having served as treasurer of the Maricopa County Republican Party; a member of the Maricopa County Trial Court Selection Committee; Maricopa County Charter Committee; and the Maricopa County Citizens Judicial Advisory Council. He was also a 1996 Delegate to the Republican National

Convention. In 2003, he was voted the country's Outstanding Public Official of the Year by the National Association of County Parks and Recreation.

His primary issues are justice and law enforcement, health care, fiscal accountability, responsible land planning, and increasing the size and quality of the County Park System.

Supervisor Kunasek currently serves on the National Association of Counties Board of Directors. Mr. Kunasek also serves on NACO's Public Lands Steering Committee and Large Urban County Caucus.

Don Stapley - Maricopa County District 2 Supervisor

Don Stapley was elected to his third term as Chairman of the Maricopa County Board of Supervisors in January 2006. Currently in his fourth term representing District 2, Mr. Stapley also served as chairman and vice-chairman in previous years. In addition, he served as the Chairman of the Maricopa County Board of Adjustments as a private citizen.

He was named County Leader of the Year in 2004 by the American City & County Magazine for his leadership locally and nationally. In July 2005, he was elected first vice-president of the National Association of Counties. This election places Mr. Stapley on the 5 member executive committee and in line to become President of the organization in 2008.

Mr. Stapley was born in Phoenix and graduated from Westwood High School in Mesa. He earned a Bachelor of Arts degree from Brigham Young University in Provo, Utah. He is a lifelong Arizona resident and member of an Arizona pioneer family.

Mr. Stapley's additional duties include membership on the Maricopa Association of Governments (MAG) Regional Council, the group of mayors and stakeholders who are responsible for planning, funding and implementing regional governmental programs and the County Commission on Justice System Intervention for the Seriously Mentally Ill.

As a member of his community, Mr. Stapley has volunteered for youth development and education organizations that include the Grand Canyon Council of the Boy Scouts of America, the Mesa Eastern Education Foundation, the Mesa Family YMCA, and the Mesa Little League. He has also served as a member of the Board of Directors of the Lutheran Health Care Network for more than 10 years. Mr. Stapley is an honorary member of the Mesa Baseline Rotary Club.

Mr. Stapley is the owner of Stapley and Company, a real estate management firm and holds an active broker's license.

Mary Rose Gerrido Wilcox - Maricopa County District 1 Supervisor

Supervisor Wilcox was born in Superior, Arizona, and is a fourth generation Arizona native from a pioneer Mexican-American family. Supervisor Wilcox is serving her third four-year term on the Board. She previously served on the Phoenix City Council for nine years. Supervisor Wilcox was honored as being the first Hispanic woman ever to serve on the Phoenix City Council and the Board. Supervisor Wilcox has devoted her career to public service. She has created numerous programs to strengthen families and communities, including leading the County's efforts to create a homeless campus to centralize services for the homeless in downtown Phoenix.

Along with her husband, she coordinates a tremendously popular annual Late Night Basketball tournament designed to keep kids off the streets. Since the Arizona Diamondbacks inaugural season, Supervisor Wilcox has been coordinating the "Diamondbacks Inner City Baseball Jam," allowing 600 youths the opportunity to attend a game & meet professional players. Some of the highlights of Supervisor Wilcox's career include revitalizing downtown Phoenix through both county work and efforts as a member of the Phoenix City Council. Supervisor Wilcox was also one of the originating members of the "fight back movement" for neighborhoods and the founder of the City of Phoenix "Kool Kids" program allowing children to swim for free in several Phoenix public pools.

Max Wilson - Maricopa County District 4 Supervisor

By a unanimous vote of his peers on February 14, 2002, Max Wilson was appointed to the Maricopa County Board of Supervisors. As a prominent member of the West Valley community, Supervisor Wilson is committed to serving District Four. He ran for re-election in 2002 Primary and General Elections and again in 2004. His fellow board members elected him to serve as the Chairman in 2005.

Mr. Wilson graduated from Granite High School in Salt Lake City, Utah. After graduation he enlisted in the United States Air Force and served from 1959 until 1963. After briefly working for Luke Air Force Base, he started his career in real estate and development. Currently, Supervisor Wilson is owner of Arizona Highlands, Inc. and is involved with other land development and real estate companies.

An active member of the West Valley, Mr. Wilson has served as Councilmember and Vice Mayor on the Litchfield Park City Council. He is currently a member of the Fighter Country Partnership Board of Directors, Arizona Board of Realtors, the Wickenburg Chamber of Commerce, the Southwest Valley Chamber of Commerce and the Luke West Valley Council (He served as 2005 Civilian Chair for the Council.). He is also appointed by the Governor's Office of Homeland Security to be a member of the Central Region Advisory Council.

He has recently served on the Maricopa County Public Health Board, the Peoples Valley/Yarnell Historical Society Board of Directors, Arizona Diamondbacks Charity Board of Directors and the Sun Health La Loma Board of Directors. Within the County, he serves on the Maricopa County Trail Commission, MAG Transportation Policy Committee, MAG Regional Council, Military Airport Preservation Committee, the Flood Control District, the Stadium District, and the Library District.

Supervisor Wilson's main focuses are protection of Luke Air Force Base, transportation, and valley growth. While he served as Chairman of the Board in 2005, he successfully spearheaded the effort to acquire the Sundome Center for the Performing Arts so the historical complex can be preserved, revitalized and enjoyed by citizens. He believes in fiscal responsibility and government efficiency.

David R. Smith - County Manager

David Smith has been Maricopa County Manager since December 1, 1994. Smith was born on March 15, 1946, in Highland Park, IL. He earned a Bachelor of Arts degree in Government from Dartmouth College, Hanover, NH, in 1968; a Master's degree in Public Administration from New York University, New York, NY, in 1976; and a Juris Doctorate degree from Pace University Law School, White Plains, NY, in 1983.

After three years with the US Marine Corps Reserve, which included service in Vietnam as a lieutenant, Smith began his public service career in November 1971, as an administrative officer with Orange County, Goshen, NY. In March 1977, he became director of Intergovernmental Relations for Westchester County, White Plains, NY, and then served three years as counsel to the New York Lieutenant Governor in Albany, NY. From August 1985 to December 1987, he served as assistant city manager for Yonkers, NY. From January 1988 until November 1994, he was deputy county executive, the chief appointed administrative officer, for Erie County in Buffalo, NY.

Smith's professional associations include the American Society for Public Administration and National Association of County Administrators. He is a member of the New York State Bar. In 2001, Smith was chosen by Governing Magazine as a public official of the year. He has been a state or local official for 35 years. He has served on the Valley of the Sun United Way Board of Directors since 1996.

Sandi Wilson - Deputy County Manager

Sandra Wilson, Deputy County Manager. Ms. Wilson joined the County on February 16, 1993, after many years in private industry. After four months, she was appointed the Budget Director and began the establishment of a strong budget office. Now, as the Deputy County Manager, she remains responsible for the County's budget of just over \$2 billion. Ms. Wilson is also responsible for the County's Human Resources, Health Care Mandates, Employee Health Initiatives, Correctional Health, Public Health, Research and Reporting, General Government and Office of Enterprise Technology which includes the Chief Information Office and the Chief Technology Office. Ms. Wilson entered her career in private industry with American Express as a customer service supervisor that later led to a planning and development specialist. She was responsible for all short and long-range business plans for the division, which included the coordination of a \$90 million operating budget and a \$100 million capital improvement plan. This experience led her to accept the position of Financial Services Director for their Worldwide Technologies Division in 1990, responsible for directing and managing a wide range of financial services for the Worldwide Information Processing and Technologies sector. Ms. Wilson is a native of Arizona, born in Phoenix. In 1982 she received her Bachelors of Science Degree in General Business with an emphasis in Finance and Management from Arizona State University. She earned her Masters of Business Administration from the University of Phoenix in 1988. Additionally, she completed her certification in Human Resource Management from the University of Phoenix in 1997.

Tom Manos - Chief Financial Officer

Mr. Manos joined the County in 1984 as the Deputy County Auditor. In 1996, he assumed the position of Administrator for the County's Parks and Library Departments. In February of 1998 he was appointed acting Chief Financial Officer and three months later his appointment was made permanent. He is responsible for the County's Finance Department as well as the Real Estate, Public Fiduciary, Animal Care and Control, Risk Management and Materials Management departments. During his tenure as Chief Financial Officer, the County has received four ratings upgrades from the major rating agencies. He is former president of the Arizona Local Government Auditors Association and has been a Board Member of the Phoenix, Downtown YMCA. Mr. Manos is a native of Arizona, and graduated from Arizona State University with a Bachelors of Science Degree in Finance. Upon graduation, he served in the Peace Corps, where he worked for the World Bank in Liberia, West Africa.

Economic and Demographic Information

A discussion of economic and demographic information concerning the County is contained in Appendix A hereto.

FINANCIAL MATTERS

Budget Process

The County's Fiscal Year currently begins July 1 and ends the following June 30, coinciding with the State of Arizona's fiscal calendar. The County's budget process is an ongoing process. Each Fiscal Year's process starts in early December of the prior Fiscal Year with an analysis of revenue and expenditure data from the first half of the current Fiscal Year. A preliminary forecast of economic conditions for the next Fiscal Year, including revenue projections, is then made. These forecasts and projections are based on national, state and local economic trends as well as the analyses by the County's budget office.

The next step is a preliminary estimate of maximum expenditure levels for the County as a whole. This, in turn, is the basis for the development of budget policies that provide County administrators and managers at all levels with a philosophical starting point from which to reallocate funds to match program priorities. All budget policies are directed and approved by the Board.

Budget policies are then sent to all department directors in February. By mid-February, the County budget office conducts a budget workshop to brief the department directors and departmental budget analysts on the budget preparation process. During this meeting, department directors and departmental budget analysts are able to clarify any questions regarding current year budget policies as set forth by the Board. A budget calendar, which

summarizes the process and provides the time frame for milestones and deadlines, is also provided to the departments.

Departmental budget requests for appointed departments are then completed and submitted to the Budget Office for review and approval. Elected officials submit their department budgets to the Board via the County Administrative Officer and the County's Budget Office. The final departmental budget requests are submitted to the Board as the Tentative Budget in early June. The exact date of presentation of the Tentative Budget is contingent upon the adjournment of the state legislature, since additional mandates may require the County to modify the budget. The Tentative Budget, which sets the maximum expenditure and revenue limits for the Fiscal Year, is then approved by the Board. The final budget is adopted by late July following a public hearing, followed by the setting of property tax rates by the third Monday in August. The adopted property tax rate must be sufficient together with other revenues to cover the expenditure total in the approved annual budget.

Expenditure Limitation

The County is subject to an annual expenditure limitation which is set by the Arizona Economic Estimates Commission. This limitation is based on the County's annual expenditures for Fiscal Year 1979-80, with this base adjusted to reflect interim population, cost of living and boundary changes. Certain expenditures are specifically exempt from the limit, including expenditures made from federal funds and bond sale proceeds, as well as debt service payments. The limitations can be exceeded for certain emergency expenditures or if approved by the voters. The Constitutional provisions which relate to the expenditure limitation provide three processes to exceed the spending limit: a permanent base adjustment, a one-time override, and a capital project accumulation. In Fiscal Year 2005-2006, the expenditure limitation for the County was \$802,731,520. The County's expenditure limitation for Fiscal Year 2006-07 is \$961,010,065.

Tax Levy Limit

The County is also subject to an ad valorem tax levy limit concerning its operational budget. The Arizona Constitution provides that "the maximum amount of ad valorem taxes levied by any county shall not exceed an amount two per cent greater than the amount levied in the preceding year." The limit does not apply to: (1) debt service for bonds or other lawful long-term obligations (not including the Bonds), (2) taxes levied for support of schools, or (3) other immaterial exceptions.

The statutory provision implementing the Constitutional provision allows for the inclusion of new property not formerly taxed and permits the County to take new construction into consideration when setting the levy limit. Therefore, the amount which may be raised through ad valorem taxes in any tax year may exceed two percent of the levy for the prior tax year.

Property Taxes, Bonded Indebtedness and Other Financial Data

For a discussion of County property taxes, assessed valuation, debt limits, bonded indebtedness and other financial data see Appendix B.

THE COUNTY'S GENERAL FUND

The County intends to make the Lease Payments from moneys appropriated for such purpose from the County's general fund (the "General Fund") as approved by the Board of Supervisors of the County in the annual budget for the County. The table below sets forth the annual revenues, expenditures and year-end balances for the General Fund from applicable audited financial statements and adopted budgets of the County. Information contained in the table on the following page represents such audited and budgeted financial information and is not to be construed in any fashion as an indicator of future results. The County will provide a certificate at closing to the effect that such information fairly presents the financial position, results of operations and changes in fund balances of the General Fund as of the dates and for the periods set forth in this Official Statement.

General Fund Revenues, Expenditures and Fund Balance							
	2000/01	2001/02	2002/03	2003/04	2004/05	Unaudited 2005/06	Budgeted 2006/07 (a)
Revenues/Sources	\$716,486,690	\$803,354,886	\$806,738,766	\$865,749,567	\$1,082,862,091	\$1,157,164,988	\$1,416,153,623
Expenditures/Uses	731,291,337	714,980,596	768,701,269	838,422,548	970,897,652	1,021,376,435	1,416,153,623
Fund Balance	161,202,389	254,122,264	292,657,135	318,365,892	431,277,454	565,179,125	-

- (a) The County is required by applicable law to have a balanced budget (i.e. a zero year end fund balance). Actual figures may vary significantly from budgeted figures shown here (including the resulting year end fund balance). As forward looking statements, such amounts should be reviewed with an abundance of caution. The estimated amounts for the fiscal year ending June 30, 2007, are not intended as statements or representations of fact or certainty, and no representation is made as to the correctness of such estimates or that they will be realized. Such estimates are subject to change without notice.

County Operating Funds Total Fund Balance/Equity						
	2000/01	2001/02	2002/03	2003/04	2004/05	Unaudited 2005/06
General Fund	\$161,202,389	\$254,122,264	\$292,657,135	\$318,365,892	\$431,277,454	\$565,179,125
Internal Service Funds (a)	(10,895,605)	(11,507,860)	(5,814,133)	2,736,185	15,400,001	16,318,712
Enterprise and Health Funds	120,664,545	126,740,890	126,146,843	108,422,827	(24,842,083)	(1,901,998)
Total Fund Balance/Equity	\$270,971,329	\$369,355,294	\$412,989,845	\$429,524,904	\$421,835,372	\$579,595,839

- (a) Negative balances in the Internal Service Funds reflect actuarially determined closing estimates recognized but not funded. The County carries commercial insurance for general and automobile liability in excess of \$5,000,000 per occurrence and medical malpractice liability in excess of \$5,000,000 per occurrence. Settled claims have not exceeded this commercial coverage since the inception of these insurance policies. Payment of workers' compensation benefits is self-funded up to \$1,000,000 per occurrence.

RISK FACTORS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of all the information presented herein. The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Bonds.

Limited Obligation. The obligation of the County to pay the Lease Payments will not be secured by the levy or pledge of any tax or any other funds and does not constitute a debt or indebtedness of the County or the State within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Lease Payments will be payable by the County, subject to annual budgeting and appropriation, from the County’s General Fund. See “THE COUNTY’S GENERAL FUND.”

No Pledge of County Funds. No funds or revenues of the County will be pledged, obligated or restricted for the payment of the Lease Payments on the Bonds. In addition, the County has the right to decline to appropriate funds and thus terminate the Lease for any reason including inadequacy of the Leased Property. Were the County to decline to appropriate funds and thereby terminate the Lease, there can be no assurance that the Trustee would have adequate funds under the Indenture to pay the principal of and interest on the Bonds.

Additional Bonds and Other Obligations of County. There is presently outstanding \$4,715,000 aggregate principal amount of Certificates of Participation, Series 2000 (Desert Vista Project), payable from the same funding source that the County will use to make the Lease Payments. The County has the capacity to enter into other obligations which are payable from the same funds or revenues it will use to make the Lease Payments. To the extent that additional obligations are incurred by the County, the funds available to make the Lease Payments may be decreased. The Lease will impose no restrictions upon the ability of the County to incur such additional obligations. In addition, the Indenture sets forth conditions for the issuance of Additional Bonds which would be on a parity of lien with respect to the Lease Payments as well as the Leased Property. See Appendix D “SUMMARY OF LEGAL DOCUMENTS – The Indenture – Authorization and Terms of Outstanding Bonds; Additional Bonds – *Issuance of Additional Bonds.*”

Termination of Lease. In addition to termination of the Lease upon non-appropriation of funds as described herein under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Non-appropriation,” several other events may lead to a termination of the Lease:

- (a) an Event of Default on the part of the County and an election by the Trustee to terminate the Lease (see Appendix D – SUMMARY OF LEGAL DOCUMENTS – The Lease – *Defaults and Remedies*;
- (b) the taking of all of the Leased Property under the power of eminent domain described below; and
- (c) violation of certain State statutes pertaining to conflicts of interest described below.

If an Event of Default under the Lease occurs, the Trustee may terminate the Lease and relet or sell the Leased Property (after conveyance from the Corporation) or direct the Corporation to relet or sell the Leased Property. The Net Proceeds from the re-leasing or sale of the Leased Property, together with other moneys then held by the Trustee under the Indenture including the moneys, if any, then in the Acquisition and Construction Fund and the Reserve Fund, will be required to be used under the Indenture to pay the principal of and interest on the Outstanding Bonds as it becomes due, to the extent of such moneys. No assurance can be given that the amount of such funds would be sufficient to pay all Outstanding Bonds, including the Bonds, when due.

The County is required in the Lease to purchase and maintain property insurance or self-insurance on the Leased Property in amounts not less than the full replacement cost of the Leased Property. The Lease requires that, in the event of damage or destruction of the Leased Property, insurance proceeds will be applied to the replacement of the Leased Property or, in certain circumstances, for the special redemption of all or a portion of the Outstanding Bonds, including the Bonds. See Appendix D – SUMMARY OF LEGAL DOCUMENTS – The Lease – *Insurance.*”

In the event that the Leased Property has been taken in whole pursuant to such eminent domain proceedings, all Net Proceeds, together with moneys, if any, then on hand in funds held by the Trustee including the Reserve Fund, will be applied to the special redemption of the Outstanding Bonds, and the Lease will terminate on the date possession is taken from the County. No assurance can be given that the Net Proceeds of eminent domain and other moneys available under the Indenture will be sufficient to redeem all of the Outstanding Bonds.

In the event that the Lease is terminated, the Trustee will be authorized to re-lease or sell the Leased Property (after conveyance from the Corporation) or direct the Corporation to relet or sell the Leased Property and to apply the proceeds therefrom toward the payment of the Outstanding Bonds, including the Bonds. It could be difficult to find a lessee or purchaser for the Leased Property and, upon any event of termination of the Lease or default by the County under the Lease, the Trustee may not realize sufficient moneys from the re-leasing or sale of the Leased Property to provide for the payment of the Outstanding Bonds, including the Bonds, in full with interest to the scheduled dates of payment. No assurance can be given that the proceeds from any release, sale or other disposition of the Leased Property will be sufficient to pay the principal of and interest represented by the Outstanding Bonds. Furthermore, in the event of termination, there is no assurance that the interest on the Bonds paid from sources other than the County will remain excludable from gross income for federal income tax purposes. See "TAX MATTERS."

The Lease obligates the County to lease the Leased Property which is comprised of facilities which are to be used solely for lawful activities in which the County may engage and is, thus, a contract to pay for facilities of a governmental nature. The agreement to budget and appropriate the Lease Payments in future Fiscal Years may, therefore, be governmental in nature. Arizona courts have held that governing bodies such as the County Board of Supervisors cannot bind future governing bodies to perform governmental functions or activities. Thus, notwithstanding the commitment of the County to budget and appropriate the Lease Payments, to the extent permitted by law, such commitment may not be binding on future County Boards of Supervisors. Moreover, changes in the membership and political philosophies of the County Board of Supervisors may occur, and it cannot be determined at this time if future members of the County Board of Supervisors might refuse to budget sufficient amounts to make the Lease Payments in future Fiscal Years.

As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, the County may, within three years after its execution, cancel any contract including the Series 2007 Supplement to Lease and the Acquisition Agreement (collectively, the "Financing Documents"), without penalty or further obligation, made by the County if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Financing Documents on behalf of the County (a "County Representative") is, at any time while the Financing Documents or any extension thereof are in effect, an employee of any other party to the Financing Documents in any capacity or a consultant to any other party of the Financing Documents with respect to the subject matter thereof. The cancellation shall be effective when written notice from the County Board of Supervisors is received by all other parties to the Financing Documents unless the notice specifies a later time.

Bond Counsel is not rendering an opinion as to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any Bonds in the event payments are received from sources other than funds made available by the County as a result of termination of the Lease for any reason. If the Lease is terminated while the Bonds are outstanding, there is no assurance that after such termination Bonds may be transferred by an Owner without compliance with the registration provisions of the Securities Act of 1933, as amended, or that an exemption from such registration is available.

Limitations on Remedies. Due to the special purpose nature of the Leased Property and the limited number of potential users of the Leased Property, no assurance can be given that the proceeds from any re-leasing or sale of the Leased Property will be sufficient to pay in full all Outstanding Bonds, including the Bonds. The enforcement of any remedies provided in the Lease- and the Indenture could prove both expensive and time consuming. In addition, the enforceability of the Lease and the Indenture will be subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of delays inherent in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain

possession of the Leased Property upon termination of the Lease or exercise of remedies upon default by the County may result in delays in payment of the Bonds.

Although the Lease and the Indenture provide that the Trustee may take possession of the Leased Property and release or sell the Leased Property (after conveyance from the Corporation) or direct the Corporation to take such action if there is a default by the County thereunder or if the County terminates the Lease and the Lease provides that the Trustee may have such rights of access to the Leased Property as may be necessary to exercise any remedies, no assurance can be given that revenues from the Trustee's reletting or sale of the Leased Property would be sufficient to pay in full all Outstanding Bonds, including the Bonds.

Upon the termination of the Lease or if the County defaults in its obligation to make Lease Payments thereunder, the County, pursuant to the Lease, will promptly return possession of the Leased Property to the Trustee within 45 days of written notice. In an event of default, the Trustee will be required, to take action to force the County to surrender possession of the Leased Property. However, under the terms of the Indenture, the Trustee will not be under any obligation to take any other action if the Trustee determines that to do so exposes the Trustee to a risk of financial liability (including environmental liability) for which it reasonably believes it is not adequately indemnified. Prior to taking other actions under the Indenture, the Trustee may request assurances, such as an additional environmental audit, that it will not incur liability by reason of any other action taken by the Trustee pursuant to the Indenture.

Other Considerations. Although approximately 95% of the services provided by Maricopa County government are mandated, a significant portion of these are unfunded mandates from the State and Federal governments. Mandated services drive Maricopa County's strategic planning process, operating policies and financial structure. Mandates are functions or services that are required by the Constitution, statute, or court order from either the Federal or State government. These mandates are generally not funded by the State or Federal government. As such, they comprise the portion of the County budget over which the Board of Supervisors has little or no discretion. As an example, Arizona counties are required by law to provide certain levels of indigent health care. The costs of such care may increase, requiring greater contributions from the General Fund. These costs represent close to 20% of the budgeted expenditures of the General Fund. The effect of such increases on the County's continued ability to appropriate the Lease Payments in future Fiscal years cannot be determined at this time.

The audited financial statements of the County included in APPENDIX C hereto are for the Fiscal Year ended June 30, 2005, and are the most recent audited financial statements available for the County.

LITIGATION

To the knowledge of the appropriate representatives of the Corporation and County, no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the execution or delivery of the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be executed, sold or delivered, or the validity of the Bonds. To the knowledge of the appropriate representatives of the Corporation and County, no litigation or administrative action or proceeding is pending or threatened contesting or questioning the authority for, or restraining or enjoining, or seeking to restrain or enjoin, the execution, delivery or performance of (i) the Lease or the acquisition of the Leased Property or the payment of Lease Payments or other amounts pursuant thereto, or (ii) the Indenture.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see "TAX MATTERS") will be subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., whose services as Bond Counsel have been retained by the County. The signed legal opinion of Sanders & Dempsey L.L.P., dated and premised on the law in effect as of the date of initial delivery of the Bonds, will be delivered to the County at the time of original delivery.

The proposed text of the legal opinion of Bond Counsel is set forth as Appendix F. The legal opinion to be delivered may vary from the text of Appendix F if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Bond Counsel has reviewed or expressed

any opinion concerning any matters relating to the Bonds subsequent to the original delivery of the Bonds.

TAX MATTERS

General

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from Arizona state income tax so long as that interest is excluded from gross income for federal income tax purposes. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Corporation and the County to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or that continuing compliance.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel’s legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (“IRS”) or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Corporation or the County may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds. The Corporation and the County have each covenanted in the Leaseback Agreement to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any action that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel’s attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If the Owner of a Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal income tax purposes. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. There can be no assurance that legislation enacted or proposed, or clarification of the Code, after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market prices of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding pending or proposed federal tax legislation, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Corporation, the County or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Corporation as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

Original Issue Discount

The initial offering price of the Bond maturing on July 1, 2031 (referred to in this section as the "Discount Bond") will be less than the stated principal amount thereof. Under the Code, the difference between the principal amount of the Discount Bond and the initial offering price to the public (excluding bond houses, brokers or similar person or organizations acting in the capacity of underwriters or wholesalers), at which price the Discount Bond was sold, constitutes to an initial purchaser "original issue discount." Original issue discount represents interest which will be excluded from gross income; however, such interest will be taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences described under the heading "TAX MATTERS." Original issue discount will accrue actuarially in the initial offering at a price equal to the initial offering price thereof as set forth on the inside front cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bond which was not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of the Discount Bond should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bond and with respect to the other tax consequences of owning and disposing of the Discount Bond.

Original Issue Premium

The difference between the principal amount of the Bonds maturing on July 1, 2008 through and including July 1, 2028 (referred in this section as, collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar person or organizations acting in the capacity of underwriters or wholesalers), at which price a substantial amount of the Premium Bonds of the same maturity was sold, constitutes to an initial purchaser "amortizable premium" which is not deductible from gross income for federal income tax purposes. The amount of amortizable premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such bond in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Premium Bonds. Prospective purchasers of the Premium Bonds should consult their own tax advisors with respect to the tax consequences of owning and disposing the Premium Bonds.

RATINGS

Fitch Ratings (“Fitch”) and Moody’s Investors Service (“Moody’s”) have assigned ratings of “AAA” and “Aaa” to the Bonds, respectively with the understanding that the Policy will be delivered by Ambac Assurance simultaneously with the issuance of the Bonds. Additionally, underlying ratings of “AA+,” and “Aa2” have been assigned to the Bonds by Fitch and Moody’s, respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, 99 Church Street, New York, New York 10007 and Fitch Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

CERTIFICATION CONCERNING OFFICIAL STATEMENT

The closing documents will include certificates confirming that, to the best knowledge, information and belief of the appropriate representatives of the Corporation and the County, the description and statements contained in this Official Statement relating to the Corporation and the County and its operation and properties were at the time of the sale, and are at the time of closing, true, correct and complete in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein in order to make the statements, in light of the circumstances under which they are made, not misleading. In the event this Official Statement is supplemented or amended to the date of delivery of the Bonds, the foregoing confirmation will also encompass such supplements or amendments.

CONTINUING SECONDARY MARKET DISCLOSURE

The County will enter into a Continuing Disclosure Undertaking (the “Undertaking”) with respect to the Bonds for the benefit of the beneficial owners of such Bonds to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b) (5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Exchange Act. The specific nature of the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Undertaking, are set forth in “Appendix G – FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

A failure by the County to comply with the Undertaking will not constitute a default under the Lease or the Indenture and owners of the Bonds are limited to the remedies described in the Undertaking. See “Appendix G – FORM OF CONTINUING DISCLOSURE UNDERTAKING.” A failure by the County to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Pursuant to Arizona law the ability of the County to provide information pursuant to such covenants is subject to annual appropriation to cover the costs of preparing and mailing the Annual Reports and the Notices of Material Events to each Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. Should the County not comply with such covenants due to a failure to appropriate, the County has covenanted to provide notice of such fact to each Nationally Recognized Municipal Securities Information Repository and to any state information depository established by the State. Absence of continuing disclosure due to non-appropriation could adversely affect the Bonds and specifically their market price and transferability.

Previous undertakings called for the County to file annual information and financial statements by February 1 of 2005, 2007 and, 2007 with respect to the fiscal years ended June 30, 2004, 2005 and 2006, respectively. The

County did not make those filings by February 1 in those years as called for by the undertakings. The County filed the annual information and unaudited financial statements for the fiscal year ended June 30, 2006, on April 25, 2007. The County expects to be able to file June 30, 2006 audited financial statements in September 2007. The County has not otherwise failed to comply in all material respects with any previous undertakings.

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the County, as of June 30, 2005 and for the fiscal year then ended, which are included as Appendix C of this Official Statement, have been audited by the Office of the Auditor General of the State of Arizona, as stated in their opinion which appears in Appendix C. The County neither requested nor obtained the consent of the Office of the Auditor General, State of Arizona, to include their report and the Auditor General, State of Arizona, had performed no procedures subsequent to rendering their opinion on the financial statements.

ADDITIONAL INFORMATION

Additional information and copies of this Official Statement, the Indenture, and the Lease may be obtained from Piper Jaffray & Co. at 25255 East Camelback Road, Suite 925, Phoenix, Arizona 85016, Financial Advisor to the County, telephone number (602) 808-5424.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these statements have been or will be realized. Information in this Official Statement has been derived from the records of the County and other sources and is believed by the County and the Corporation to be accurate and reliable. Information other than that obtained from official records of the County and the Corporation has not been independently confirmed or verified by the County and its accuracy is not guaranteed.

Neither this Official Statement nor any statements that may have been or that may be made orally or in writing are to be construed as a part of a contract with the original purchasers or subsequent owners of the Bonds.

This Official Statement has been prepared by the County and executed for and on behalf of the Corporation by its President and for and on behalf of the County by its Chief Financial Officer, respectively, as indicated below.

MARICOPA COUNTY PUBLIC
FINANCE CORPORATION

By: _____
Shelby Scharbach
President

MARICOPA COUNTY, ARIZONA

By: _____
Tom Manos
Chief Financial Officer

MARICOPA COUNTY, ARIZONA

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County was named after the Maricopa Indian tribe and was formed as the fifth county of Arizona in 1871. The principal geographic features of the County consist of the expansive river valleys of the Salt and Gila Rivers and a number of rugged mountain ranges scattered throughout the County. The County encompasses approximately 9,222 square miles, 98 square miles of which is water.

LAND OWNERSHIP
Maricopa County, Arizona

Control/Ownership	Approximate Percent of County
U.S. Forest Service & Bureau of Land Management	39.0%
Indian Reservation	5.0
State of Arizona	11.0
Individual or Corporate	29.0
Other Public Lands	16.0
Total	100.0%

Source: *Arizona County Profiles*, Arizona Department of Commerce.

The County is located in the south-central portion of the State. Its boundaries enclose the greater metropolitan Phoenix area, which is comprised of the cities of Phoenix, Glendale, Mesa Scottsdale, Tempe, Peoria and Chandler, the towns of Gilbert and Paradise Valley and other smaller cities and towns and all of the unincorporated areas of the County. This metropolitan area is Arizona's major economic, political and population center.

The following table illustrates respective population statistics for the State, the County and cities that principally comprise the greater metropolitan Phoenix area.

POPULATION STATISTICS

	<u>State of Arizona</u>	<u>Maricopa County</u>	<u>City of Phoenix</u>	<u>City of Mesa</u>	<u>City of Glendale</u>	<u>City of Scottsdale</u>	<u>City of Tempe</u>	<u>City of Chandler</u>
2006 Estimate	6,305,210	3,792,675	1,505,265	451,360	243,540	237,120	165,890	235,450
2005 Special Census	6,044,985	3,700,516	1,475,834	448,096	242,369	234,752	165,796	230,845
2000 Census	5,130,632	3,072,149	1,321,045	396,375	218,812	202,705	158,625	176,581
1990 Census	3,665,339	2,122,101	983,403	288,104	147,864	130,075	141,993	89,862
1980 Census	2,716,546	1,509,175	789,704	152,404	97,172	88,622	106,920	29,673
1970 Census	1,775,399	971,228	581,562	63,049	36,228	67,823	63,550	13,763
1960 Census	1,302,161	663,510	439,170	33,772	15,893	10,026	24,897	9,531

Source: Arizona Department of Economic Security, Population and Statistical Unit.

Government

The governmental and administrative affairs of the County are carried out by a five-member Board of Supervisors who serve four-year terms. The Board of Supervisors appoints a Chief Administrative Officer who is responsible for carrying out policies of the Board and administering operations of the County.

Economy

The County's economy is based primarily on high technology manufacturing, light manufacturing, retail and wholesale trade, service companies, tourism, government and agriculture.

The following tables illustrate the employment structure in the County.

AVERAGE WAGE AND SALARY EMPLOYMENT Maricopa County, Arizona

<u>Industry</u>	<u>2007 (a)</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Goods Producing					
Manufacturing	190,300	184,600	163,100	142,800	129,700
Construction and Mining	139,200	132,900	132,200	125,700	126,900
Service-Providing					
Trade, Transportation and Utilities	388,200	373,800	354,500	324,700	321,200
Information	31,300	32,100	32,900	34,700	37,100
Financial Activities	157,600	151,100	145,600	135,100	133,500
Professional and Business Services	329,200	321,200	295,900	261,600	255,100
Educational and Health Services	198,700	187,000	178,900	167,000	159,300
Leisure and Hospitality	185,300	174,900	165,800	154,900	152,800
Other Services	75,500	68,500	65,400	61,600	60,200
Government	233,200	212,400	208,800	205,000	200,800
Total	<u>1,928,500</u>	<u>1,838,500</u>	<u>1,743,100</u>	<u>1,613,100</u>	<u>1,576,600</u>

(a) Data through January 2007 only.

Source: *Arizona's Workforce*, Arizona Department of Economic Security, Research Administration.

The following table illustrates the unemployment averages for the County, the State and the United States.

UNEMPLOYMENT AVERAGES

<u>Year</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	<u>United States</u>
2006	3.5%	4.2%	4.6%
2005	4.1	4.7	5.1
2004	4.4	5.0	5.5
2003	5.2	5.7	6.0
2002	5.6	6.1	5.8

Source: Arizona Department of Economic Security, Bureau of Information and Research Analysis, Labor Force Statistical Unit.

Employers

A partial listing of major employers within the County and the Phoenix Metropolitan area are given in the following table.

MAJOR EMPLOYERS Maricopa County, Arizona

<u>Employer</u>	<u>Description</u>	<u>Approximate Employees (a)</u>
State of Arizona	Government	49,305
Wal-Mart Stores Inc.	Retail Stores	28,800
Banner Health Systems	Healthcare Services	16,400
City of Phoenix	Government	14,166
Maricopa County	Government	13,274
Arizona State University	Education	12,083
Wells Fargo & Co.	Banking and Financial Services	11,800
Fry's Food & Drug	Grocery and Drug Stores	11,780
U.S. Postal Service	Mail Delivery	11,000
Honeywell Aerospace	Jet Engines and Space Systems	10,700
Intel Corporation	Semiconductors	10,100
Bashas' Inc.	Grocery Store	9,902
US Airways (b)	Commercial Airline	9,625
Safeway Stores	Grocery Store	9,286
Mesa Public Schools	Education	8,910
JP Morgan Chase & Co.	Banking and Financial Services	8,900
Target Corporation	Retail Stores	8,162
Apollo Group Inc.	Education	8,095
Walgreen Co.	Drug Store	7,600
American Express	Financial Services	7,000

(a) Full-time equivalent Arizona employees.

(b) America West Airlines, America West Express, Mesa Airlines and U.S. Airways merged on September 27, 2005.

Source: *The Book of Lists 2007*, The Business Journal.

Construction

The following charts illustrate a building permit summary for residential and non-residential construction and new housing starts for the County.

VALUE OF BUILDING PERMITS Maricopa County, Arizona (\$000's omitted)

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>	<u>Total</u>
2006	\$ 6,511,879	\$ 3,397,558	\$ 286,877	\$ 2,085,358	\$ 12,281,672
2005	9,132,641	3,181,313	272,111	1,488,320	14,074,385
2004	9,165,871	2,057,732	139,029	1,622,472	12,985,104
2003	7,039,184	1,541,602	87,682	1,399,822	10,068,290
2002	5,750,850	1,620,722	86,044	1,231,003	8,688,619

Source: Arizona Real Estate Center, Arizona State University Polytechnic campus. Note that the Bureau obtains its data from County and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date on which the permit is issued is not to be construed as the date of construction.

NEW HOUSING STARTS Maricopa County, Arizona

<u>Year</u>	<u>Total New Housing Starts</u>
2006	40,293
2005	56,139
2004	58,882
2003	47,808
2002	43,826

Source: Arizona Real Estate Center, Arizona State University Polytechnic campus. Note that the Bureau obtains its data from County and municipal divisions which issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The date on which the permit is issued is not to be construed as the date of construction.

“Growing Smarter” Act

During 1998, the Arizona Legislature promulgated the Growing Smarter Act of 1998 (“Growing Smarter”) that created new planning requirements throughout the State and provided stronger tools for local governments in their efforts to manage rapid development. Growing Smarter also created the “Growing Smarter Commission” that conducted hearings throughout the State on ways to enhance the law and to address certain other issues. During 2000, the Arizona Legislature adopted additional legislation known as “Growing Smarter Plus” that significantly expands Growing Smarter particularly the planning requirements passed in 1998. Fast-growing communities must now plan for growth areas and identify the means to provide necessary public services in the future. In addition environmental and infrastructure elements, an analysis of available water is now required. To pay for growth, communities are permitted to establish service area limits, beyond which new growth pays the full cost for services. Growing Smarter allowed citizens to refer general plans passed by local government to the ballot for voter approval. Growing Smarter Plus goes a step farther by requiring fast growing and large cities and Pima and Maricopa

Counties to submit their general plans to the voters for ratification. Every 10 years, voters will have the final say over general planning in their communities. It is unclear at this time how Growing Smarter and Growing Smarter Plus will affect development activity the County in the future.

The following chart illustrates the number of new single family homes that have been sold in each calendar year and the median price of these homes.

**NUMBER OF NEW SINGLE FAMILY HOME SALES AND MEDIAN PRICE
Greater Phoenix Metropolitan Area**

<u>Year</u>	<u>Number of Home Sales</u>	<u>Median Price</u>
2006	38,485	\$306,355
2005	42,550	251,795
2004	38,285	195,000
2003	32,700	173,240
2002	29,125	159,990

Source: Arizona Real Estate Center, Arizona State University Polytechnic campus.

Agriculture

The County is presently the leading producer of agricultural and livestock products in Arizona in terms of both total producing acreage and total cash receipts from agricultural marketings. The County is the largest producer of livestock, cotton, wheat, alfalfa and potatoes in the State, and the second leading producer of citrus products and vegetables.

**CASH RECEIPTS FROM AGRICULTURAL MARKETING
Total Crops and Livestock
Maricopa County, Arizona
(\$000's omitted)**

<u>Year</u>	<u>Cash Receipts</u>
2005 (a)	\$1,035,103
2004	1,022,736
2003	871,419
2002	792,307
2001	851,969

(a) County portion estimated using historical ratios provided by the Arizona Crop and Livestock Reporting Service.

Source: *Arizona Agricultural Statistics*, Arizona Crop and Livestock Reporting Service.

Service-Providing Industry

Service is one of the main employment sectors in the County. According to the Arizona Workforce Informer, from 2001 to 2006, the service industry in the County expanded by 253,000 jobs or 19.3%. The average annual employment in the service-producing industry in 2006 was 1,520,900. It is anticipated that as the County continues to grow in population and economic activity, the service industry (the largest employment component in the County

comprising 82.7% of the total wage and salary employment base in 2006) will continue to be a significant contributor.

Tourism

The County's proximity to many of Arizona's scenic attractions, numerous convention facilities and proximity to Nevada, California and Mexico, make it a natural tourist center for the entire Southwest. The County's numerous amenities and attractions, diverse cultural activities, sports events and a favorable climate attract millions to the area annually and generate tourist and travel dollars which constitute a major force in the County's economy. The following table illustrates taxable lodging sales for the County.

TAXABLE LODGING SALES Maricopa County, Arizona (\$000's omitted)

Calendar Year	Sales
2006	\$1,431,035
2005	1,331,329
2004	1,152,152
2003	1,050,525
2002	994,180

Source: Arizona Department of Revenue, Office of Economic Research and Analysis.

Below is a partial list of the larger hotels and resorts, based on number of units.

HOTELS AND RESORTS Maricopa County

Hotel/Motel Name	Number of Units	Approximate Number of Employees (a)	Year Opened
J.W. Marriott Desert Ridge Resort & Spa	950	1,300	2002
Arizona Biltmore Resort & Spa	738	1,200	1929
Westin Kierland Resort, Spa & Villas	735	960	2002
Hyatt Regency Phoenix	712	470	1976
The Phoenician	654	1,300	1988
The Fairmont Scottsdale Princess	651	1,000	1987
Pointe South Mountain Resort	640	650	1988
The Pointe Hilton Tapatio Cliffs Resort	585	500	1982
The Pointe Hilton Squaw Peak Resort	563	500	1976
Wyndham Phoenix Hotel	532	280	1975

(a) Number of full-time equivalent employees.

Source: *The Book of Lists 2007*, The Business Journal.

Trade

The retail trade sector is growing in importance. When taken together, wholesale and retail trade represent the largest employment sector in the County, and this sector should remain the County's leading employment category well into the future. The following table illustrates taxable retail sales for the County over the last five calendar years.

TAXABLE RETAIL SALES Maricopa County, Arizona (\$000's omitted)

Calendar Year	Retail Sales
2006	\$37,269,072
2005	34,105,531
2004	29,961,109
2003	27,417,506
2002	26,168,437

(a) Excludes retail food sales.

Source: Arizona Department of Revenue, Office of Economic Research and Analysis.

Bank Deposits

The following table illustrates bank deposits for the County.

BANK DEPOSITS Maricopa County, Arizona (\$000's omitted)

Fiscal Year	Amount
2006	\$54,926
2005	51,138
2004	42,872
2003	38,776
2002	33,040

Source: Federal Deposit Insurance Corporation.

Transportation

The County has 25 airports, ranging in size from small strips for private planes to important centers for high-performance jets and commercial airlines. Sky Harbor International Airport, the only commercial passenger airport in the County, provides central Arizona with a high level of commercial air passenger service. The tables on the following page illustrate the airlines serving Sky Harbor International Airport and the number of passengers arriving and departing, respectively.

AIRLINES SERVING SKY HARBOR INTERNATIONAL AIRPORT

AeroMexico	Delta Airlines	Skywest (Delta Connection)
Air Canada	Frontier Airlines	Southwest Airlines
Alaska Airlines	Great Lakes	Sun Country
American Airlines	Hawaiian Airlines	TED (part of United)
American Trans Air	Jet Blue Airways	United Airlines
British Airways	Midwest Airlines	U.S. Airways (a)
Continental Airlines	Northwest Airlines	WestJet Airlines

(c) America West Airlines, America West Express, Mesa Airlines and U.S. Airways merged on September 27, 2005.

Source: The City of Phoenix Aviation Department.

NUMBER OF PASSENGERS ARRIVING AND DEPARTING

SKY HARBOR INTERNATIONAL AIRPORT

<u>Year</u>	<u>Arrivals</u>	<u>Departures</u>	<u>Total</u>
2006	20,892,649	20,544,088	41,436,737
2005	20,801,922	20,413,420	41,215,342
2004	19,551,148	19,953,750	39,504,898
2003	18,587,432	18,836,070	37,423,502
2002	17,613,420	17,934,012	35,547,432

Source: The City of Phoenix Aviation Department.

A main line of the Union Pacific Railroad and a branch line of the Atchison, Topeka and Santa Fe Railroad serve the County. In addition, fifty transcontinental trucking companies serve the County, along with two transcontinental bus lines. The County has approximately 5,586 miles of roadway of which approximately 4,421 miles are paved. The County is also traversed by Interstate 10, the transcontinental all-weather route through the southern United States; U.S. Highways 60 and 89; and Interstate 17, the express route from Phoenix to northern Arizona, as well as twelve other highways.

APPENDIX B**MARICOPA COUNTY, ARIZONA
FINANCIAL DATA****Maricopa County, Arizona
Current Year Statistics (For Fiscal Year 2006/07)**

Total General Obligation Bonded Debt	\$0 (a)
Primary Assessed Valuation	38,862,896,588 (b)
Secondary Assessed Valuation	49,467,202,869 (b)
Estimated Full Cash Value	377,183,457,245 (c)

- (a) Excludes bonds which have been refunded.
- (b) Arizona property taxes are divided into two categories, primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness, those imposed for certain special districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all ad valorem taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes.
- (c) Estimated full cash value is the total market value of the property within the County as estimated by the Arizona Department of Revenue, Division of Property and Special Taxes less the estimated exempt property within the County.

STATEMENTS OF BONDED INDEBTEDNESS**Direct General Obligation Bonded Debt Outstanding
Maricopa County, Arizona**

Total Direct General Obligation Bonds Outstanding **None**

**Direct Bonded Debt, Legal Limitation and Unused Borrowing Capacity
Maricopa County, Arizona**

2006/07 Arizona Constitutional Limitation (15% of Secondary Assessed Valuation)	\$7,420,080,430
Direct General Obligation Bonded Debt	<u>0</u>
Unused 15% Borrowing Capacity	<u>\$7,420,080,430</u>

Direct and Overlapping General Obligation Bonded Debt

Overlapping Jurisdiction	Overlapping General Obligation Bonded Debt (b)	Proportion Applicable to Maricopa County (a)	
		Approximate Percent	Net Debt Amount
State of Arizona	None	67.62%	None
Maricopa County Community College District (c)	\$ 609,320,000	100.00%	\$ 609,320,000
Elementary School Districts	620,857,000	100.00%	620,857,000
High School Districts	745,040,000	100.00%	745,040,000
Unified School Districts	1,931,364,000	100.00%	1,931,364,000
East Valley Institute of Technology District No. 401	None	44.37%	None
Cities and Towns (d)	2,637,679,844	100.00%	2,637,679,844
Maricopa County (e)	None	100.00%	None
Total Net Direct and Overlapping General Obligation Bonded Debt	\$ 6,544,260,844		\$ 6,544,260,844

- (a) Proportion applicable to the County as computed on the ratio of secondary assessed valuation.
- (b) Includes total general obligation bonds outstanding less redemption and mandatory sinking funds on hand. Does not include presently authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future:

Authorized but Unissued

The following table lists general obligation bonds presently authorized but unissued for municipal jurisdictions within the County.

<u>Municipal Jurisdiction</u>	<u>General Obligation Bonds</u>
Maricopa County Community College District	\$ 521,093,000
Paradise Valley Unified School District No. 69	120,625,000
Fountain Hills Unified School District No. 98	None
City of Avondale	18,250,000
Town of Cave Creek	150,000
City of Chandler	166,880,000
Town of Fountain Hills	None
Town of Gilbert	46,206,000
City of Glendale	252,655,000
Town of Goodyear	254,765,449
City of Mesa	100,601,000
City of Peoria	687,691,000
City of Phoenix	1,042,607,000
City of Scottsdale	637,200,000
City of Tempe	188,250,000

- (c) Also does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States of America, Department of the Interior (the “Department of the Interior”), for repayment of certain capital costs for construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the Department of the Interior

and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at \$1.646 billion, which amount assumes (but does not mandate) that the Department of the Interior will acquire a total of 667,724 acre feet of CAP water for Federal purposes. The Department of the Interior will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the \$1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October 1, 1993. Effectiveness of the agreement is subject to a number of conditions including settlement of certain Indian community water claims and other water claims and will require certain State legislation. Federal enabling legislation was passed in 2004. If the conditions are not met by May 9, 2012, and the parties do not amend the agreement, the agreement will terminate and litigation will resume. If it appears prior to May 9, 2012, that the conditions will not be met by the deadline, the parties can amend the agreement or either party may petition the United States District Court to terminate the agreement and resume litigation. It is not possible to predict whether the agreement will become finally effective, be amended, or terminate, or whether litigation will resume. If litigation resumes, it is not possible to predict the outcome of such litigation. CAWCD is a water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the Department of the Interior of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to fourteen cents (\$0.14) per \$100 of secondary assessed valuation, of which twelve cents (\$0.12) per \$100 of secondary assessed valuation is currently being levied. (See Arizona Revised Statutes, Sections 48-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.

- (d) Does not include Maricopa County Community College District revenue bonds outstanding in the amount of \$20,605,000.
- (e) Does not include outstanding principal amount of self-supporting general obligation bonds issued by various cities and towns within the County's boundaries which are presently being paid from revenues derived from the usage of the facilities. Should the revenues of the operation of the systems prove to be insufficient to pay the indebtedness or should the cities or towns elect to change its payment policy on its revenue supported general obligation bonds this debt would and must be paid from ad valorem taxes. Also does not include the outstanding principal amount of various cities and towns improvement districts' special assessment bonds paid from special assessments levied against property owners residing within the various improvement districts. The improvement district bonds are secondarily guaranteed by statutory obligations of the respective city or town.

**Overlapping General Obligation Bonded Debt, Net Assessed Valuations and Tax Rates
Maricopa County**

Overlapping Jurisdiction Elementary School Districts	2006/07 Secondary Assessed Valuation	2006/07 Primary Assessed Valuation	Net General Obligation Bonded Debt Outstanding	2006/07 Combined Secondary and Primary Tax Rates Per \$100 Assessed Valuation
Phoenix No. 1	\$ 854,846,879	\$ 333,028,508	\$ 43,895,000	\$ 3.7863
Riverside No. 2	362,626,624	1,673,842,360	10,960,000	3.7863
Tempe No. 3	1,945,998,100	200,466,865	69,300,000	2.6300
Isaac No. 5	236,773,875	1,581,979,725	5,040,000	3.7863
Washington No. 6	1,925,409,254	139,357,189	104,760,000	3.3319
Wilson No. 7	148,495,678	509,894,092	11,175,000	3.7863
Osborn No. 8	608,380,445	447,601,885	23,852,000	3.7863
Creighton No. 14	569,043,760	162,588,675	12,705,000	3.7863
Tolleson No. 17	194,656,750	121,730,191	4,755,000	4.2602
Murphy No. 21	141,626,429	193,025,442	4,625,000	3.7863
Liberty No. 25	270,369,304	2,056,164,175	6,625,000	3.2926
Kyrene No. 28	2,589,490,544	356,706,386	61,955,000	2.6300
Balsz No. 31	419,664,811	184,951,222	None	3.7863
Buckeye No. 33	234,042,726	1,086,468,712	6,545,000	3.2926
Madison No. 38	1,359,074,350	399,979,739	70,500,000	3.7863
Glendale No. 40	497,227,059	324,620,233	34,665,000	3.3319
Avondale No. 44	415,856,897	222,335,763	24,335,000	3.5875
Fowler No. 45	266,574,249	246,055,428	13,315,000	4.2602
Arlington No. 47	253,566,682	28,987,993	2,105,000	3.2926
Palo Verde No. 49	39,604,623	218,949,370	None	3.2926
Laveen No. 59	292,972,507	65,557,343	5,755,000	3.7863
Union No. 62	87,164,349	9,346,331	1,385,000	4.2602
Aguila No. 63	12,243,510	242,780,252	None	4.5180
Littleton No. 65	310,785,826	702,005,498	9,270,000	4.2602
Roosevelt No. 66	863,614,380	439,988,253	22,490,000	3.7863
Alhambra No. 68	522,638,011	7,601,484	33,615,000	3.7863
Sentinel No. 71	8,211,983	20,795,032	None	14.7188
Morristown No. 75	28,883,226	639,957,491	None	4.6172
Litchfield No. 79	870,875,213	72,203,118	14,350,000	3.2683
Nadaburg No. 81	103,567,449	379,293,974	2,000,000	4.2214
Cartwright No. 83	464,166,489	6,956,301	None	5.6245
Mobile No. 86	434,854,044	331,219,951	None	7.6729
Pendergast No. 92	4,565,829	4,144,219	20,880,000	4.2602
Paloma No. 94	795,517,575	651,905,713	None	12.9555
Total Overlapping General Obligation Bonded Debt			<u><u>\$ 620,857,000</u></u>	

Overlapping Jurisdiction High School Districts	2006/07 Secondary Assessed Valuation	2006/07 Primary Assessed Valuation	Net General Obligation Bonded Debt Outstanding	2006/07 Combined Secondary and Primary Tax Rates Per \$100 Assessed Valuation
Buckeye Union No. 201	\$ 795,517,575	\$ 651,905,713	\$ 28,340,000	\$ 3.2926
Glendale Union No. 205	2,422,636,313	1,981,959,464	123,965,000	3.3319
Phoenix Union No. 210	6,843,924,238	5,661,941,861	330,230,000	3.7863
Tempe Union No. 213	4,535,488,644	3,730,006,535	135,925,000	2.6300
Tolleson Union No. 214	1,294,035,218	1,024,481,984	61,790,000	4.2602
Agua Fria Union No. 216	1,286,732,110	964,577,724	64,790,000	3.5875
Total Overlapping General Obligation Bonded Debt			\$ 745,040,000	

Overlapping Jurisdiction Unified School Districts	2006/07 Secondary Assessed Valuation	2006/07 Primary Assessed Valuation	Net General Obligation Bonded Debt Outstanding	2006/07 Combined Secondary and Primary Tax Rates Per \$100 Assessed Valuation
Mesa No. 4	\$4,019,787,739	\$3,227,298,265	\$210,675,000	\$6.3737
Wickenburg No. 9	155,176,686	118,833,541	20,995,000	5.7482
Peoria No. 11	2,064,548,189	1,600,783,058	234,004,000	7.5974
Gila Bend No. 24	89,982,668	87,429,126	None	5.5990
Gilbert No. 41	2,320,273,504	1,759,683,065	124,210,000	6.8257
Scottsdale No. 48	6,181,635,020	4,649,792,366	415,800,000	4.7116
Higley No. 60	585,337,002	422,916,018	34,800,000	5.9895
Paradise Valley No. 69	4,097,280,916	3,164,361,265	313,480,000	6.4517
Chandler No. 80	2,631,454,973	1,975,178,406	190,440,000	6.3284
Dysart No. 89	1,539,856,962	1,150,856,089	74,005,000	6.9522
Saddle Mountain No. 90	885,376,360	852,200,722	19,630,000	2.5940
Cave Creek No. 93	1,907,048,760	1,473,860,704	44,615,000	3.7625
Queen Creek No. 95	333,176,126	237,064,618	34,165,000	10.0430
Deer Valley No. 97	3,224,835,278	2,457,656,806	193,660,000	6.0341
Fountain Hills No. 98	630,758,719	457,944,168	20,885,000	4.6880
Total Overlapping General Obligation Bonded Debt			\$ 1,931,364,000	

Overlapping Jurisdiction Cities and Towns	2006/07 Secondary Assessed Valuation	2006/07 Primary Assessed Valuation	Net General Obligation Bonded Debt Outstanding	2006/07 Combined Secondary and Primary Tax Rates Per \$100 Assessed Valuation
Apache Junction	\$1,398,579	\$1,175,450	None	\$0.0000
Avondale	583,884,953	442,643,444	16,130,000	1.1692
Buckeye	369,230,204	270,854,878	605,000	1.3371
Carefree	186,667,993	146,189,263	None	0.0000
Cave Creek	184,427,380	135,638,070	5740000	0.6454
Chandler	2,931,717,618	2,305,439,480	259,485,000	1.2500
El Mirage	185,042,960	139,492,533	None	1.4701
Fountain Hills	610,738,122	443,618,807	9,600,000	0.3012
Gila Bend	84,096,340	82,223,838	None	0.4878
Gilbert	2,370,134,999	1,751,073,548	96,085,000	1.1500
Glendale	1,827,019,186	1,450,039,204	175,350,000	1.7200
Goodyear	764,237,138	569,933,790	56,270,000	1.5936
Guadalupe	17,060,514	13,935,765	None	0.0000
Litchfield Park	93,805,517	71,810,087	None	0.0000
Mesa	4,114,361,657	3,288,794,413	211,150,000	0.0000
Paradise Valley	918,110,749	697,246,322	None	0.0000
Peoria	1,642,187,476	1,250,895,733	48,385,000	1.4819
Phoenix	16,067,002,584	12,888,572,525	1,119,979,844	1.8200
Queen Creek	278,198,216	195,595,723	None	0.0000
Scottsdale	7,242,378,128	5,497,977,683	299,650,000	0.9704
Surprise	1,194,242,583	887,027,221	3,615,000	0.9101
Tempe	2,397,427,765	1,673,842,360	298,545,000	1.4000
Tolleson	182,645,598	162,588,675	37,090,000	3.0079
Wickenburg	87,620,074	69,212,533	None	0.5833
Youngtown	43,146,222	34,326,891	None	0.0000
Total Overlapping General Obligation Bonded Debt			\$2,637,679,844	

**Direct and Overlapping General Obligation Debt Ratios
Maricopa County, Arizona**

	Per Capita Bonded Debt Population Estimated @ 3,792,675	As % of City's 2006/07 Secondary Assessed Valuation	As % of City's 2006/07 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt (b) (None)	N/A	N/A	N/A
Direct and Overlapping General Obligation Bonded Debt Outstanding (b) (\$6,544,260,844)	\$1,725.50	13.23	1.74

**Other Indebtedness
Certificates of Participation**

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
Series 2000	6,975,000	7-1-01/15	<u>\$4,715,000</u>
Total Certificates of Participation Outstanding			<u><u>\$4,715,000</u></u>

As of June 30, 2006, the County had the following leases in effect:

Operating Leases – The County’s operating leases are for office equipment, land and buildings. Rental expenses under the terms of these operating leases were \$16,594,521 for the year ended June 30, 2005. These operating leases have remaining lease terms from one to twelve years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future minimum rental payments required under these operating leases as of June 30, 2006, are as follows:

Year Ended June 30	Governmental Activities
2006	\$ 11,639,336
2007	10,610,695
2008	8,219,855
2009	6,217,815
2010	4,610,849
2011-12	<u>2,969,560</u>
Total minimum payments required	<u><u>\$ 44,268,110</u></u>

Capital Leases – The County has entered into various lease-purchase agreements, which are noncancellable, for the acquisitions of the following equipment:

	Governmental Activities
Audio/Visual Systems	\$ 56,502
Computer Systems and Equipment	7,903,829
Communications Equipment	519,240
Library Bookmobile	207,720
Medical Equipment	186,793
Printing Equipment	125,290
Total Leased Capital Assets	<u>8,999,374</u>
Accumulated Depreciation	<u>(2,885,830)</u>
Net Value of Leased Capital Assets	<u><u>\$ 6,113,544</u></u>

These lease purchase agreements require the County to pay all maintenance costs. At the time of the final principal and interest payments, title to the leased equipment transfers to the County. These leases are contingent on budgetary appropriations each fiscal year. The assets are capitalized at a total principal cost.

The following is a schedule of future minimum lease payments for the above-described capital leases:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2006	\$ 6,405,779
2007	5,078,806
2008	2,436,634
2009	27,195
2010	<u>18,130</u>
Total minimum lease payments	<u>13,966,544</u>
Amount representing interest	<u>(458,544)</u>
Present value of net minimum lease payments	<u><u>\$ 13,508,000</u></u>

THE FOLLOWING PROPERTY TAX INFORMATION IS PROVIDED FOR GENERAL INFORMATION PURPOSES ONLY. ALL OF THE AGREEMENTS BETWEEN THE CORPORATION AND THE COUNTY SPECIFICALLY PROVIDE THAT NO AD VALOREM (PROPERTY) TAXES OF THE COUNTY CAN BE USED TO MAKE THE PAYMENTS REQUIRED THERETO.

PROPERTY TAXES

General

The State has two different valuation bases for levying ad valorem property taxes. They are “limited property” and “full cash” values. Property valuations are established on most property by the individual county assessors, with the Arizona Department of Revenue determining the valuations of centrally assessed properties such as gas, water and electric utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean “that value determined as described by statute” or if no statutory method is prescribed it is “synonymous with market value.” “Market value” means that estimate of value that is derived annually by use of standard appraisal methods and techniques, which generally include the market approach, the cost approach and the income approach. As a general matter, the various county assessors use a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the county assessor’s valuations by providing evidence of a lower value which may be based on another valuation approach.

Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited or full cash values of the property to obtain the assessed valuations.

The assessment ratios utilized over the five-year period for each class are set forth below:

PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	2003	2004	2005	2006	2007
Mining, Utility, Commercial and Industrial (b)	25%	25%	25%	24.5%	24%
Agriculture and Vacant Land (b)	16	16	16	16	16
Owner-Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (c)	20	21	21	22	21

- (a) Additional classes of property exist but seldom amount to a significant portion of the District’s total valuation.
- (b) The first \$61,142 full cash value on commercial, industrial and agricultural personal property is not taxable. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at 24% or 16% as applicable. Effective December 31, 2006, the assessment rate on mining, utility, commercial and industrial property was reduced to 24%. Additionally, this rate will be reduced by one-half of one percentage point annually through 2014, resulting in an assessment rate of 20% from and after December 31, 2014.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue.

Primary Taxes

Taxes levied against the assessed limited property value (after application of the assessment ratio) are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. Limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is established at the previous year's limited property value increased by the greater of either 10% of last year's limited property value or 25% of the difference between last year's limited property value and the current year's full cash value.

The limited property value for parcels that underwent modification through construction, destruction or change in use, and for new parcels, is established by applying a ratio of the full cash to limited property values of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city, town and community college district is constitutionally limited to a maximum increase of two percent (2%) over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The two percent (2%) limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same. Primary taxes on residential property only are constitutionally limited to one percent (1%) of the full cash value of such property.

Under the primary system, tax levies on residential property are limited to one percent (1%) of the primary full cash value. To offset the effects of the one percent (1%) limitation, a tax equalization program has been instituted for school equalization purposes. This program requires the counties to levy a tax of \$0.4358 per \$100 assessed value under the primary system.

Secondary Taxes

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement (i.e., debt service on bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. There is no limitation on the annual increase in full cash value of any property, and annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

Tax Procedures

On or before the third Monday in August each year the Board of Supervisors of the County approves the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. Pursuant to legislation in 1996 that changed certain aspects of the assessment system, the Board of Supervisors of the County is required to adopt final tax rates by December 31. The Assessor of the County is required to complete the assessment roll by December 20th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owned by each property owner. Any decrease in the value of the assessment roll established in December from the value used on the third Monday in August could reduce the aggregate amount of taxes collected and needed by each jurisdiction.

Delinquent Tax Procedures

The property taxes due the City are billed along with State, County and other taxes, in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (However, delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a Treasurer's Deed to the certificate holder as prescribed by law.

It should be noted that in the event of bankruptcy of a taxpayer filing for or being forced into bankruptcy pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can attach against the taxpayer's property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and possibly noninterest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy would be stayed pursuant to the Bankruptcy Code. While the stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the County, the Financial Advisor, the Underwriters or their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the County's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

Tax Rates and Assessed Valuations

The data shown below lists separately the primary and secondary tax rates and assessed valuations for the county for the past five fiscal years.

<u>Fiscal Year</u>	<u>Primary Tax Rate</u>	<u>Primary Assessed Valuation</u>	<u>Secondary Tax Rate</u>	<u>Secondary Assessed Valuation</u>
2006/07	\$ 1.1794	\$ 38,862,896,588	None	\$ 49,467,202,869
2005/06	1.1971	33,828,589,357	None	36,321,338,781
2004/05	1.2108	28,070,870,413	None	30,066,986,670
2003/04	1.2108	25,447,850,971	\$ 0.0700	27,477,987,528
2002/03	1.2108	22,955,864,882	0.0800	24,457,047,282

Real and Secured Property Taxes Levied and Collected (a) Maricopa County, Arizona

<u>Fiscal Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Collected to June 30 of Initial Fiscal Year</u>		<u>Cumulative Collection to February 25, 2007</u>	
			<u>Amount</u>	<u>% of Levy</u>	<u>Amount</u>	<u>% of Levy</u>
2006/07	\$ 1.1794	\$ 399,836,149	(b)	(b)	\$ 221,174,561	55.32
2005/06	1.1971	371,164,151	\$ 360,010,722	97.00	367,059,659	98.89
2004/05	1.2108	340,186,582	330,954,874	97.29	336,277,214	98.85
2003/04	1.2808	327,693,673	318,489,105	97.19	324,509,195	99.03
2002/03	1.2908	296,125,301	286,761,904	96.84	293,205,712	99.01

Source: Maricopa County Treasurer's Office.

(a) Taxes are certified and collected by the County Treasurer. Taxes in support of debt service are levied by the Board as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County General Fund.

(b) 2006/07 Taxes in course of collection:

The first installment was due on October 1, 2006 and became delinquent on November 1, 2006; and the second installment was due on March 1, 2007 and became delinquent on May 1, 2007.

ASSESSED VALUATIONS AND TAX RATES

Arizona property taxes are divided into two systems: primary and secondary. Secondary property taxes are those taxes imposed for payment of bonded indebtedness, for exceeding a budget, expenditure or tax limitation pursuant to voter approval and for operating and maintaining certain special districts. Primary property taxes are all ad valorem taxes other than secondary property taxes.

Under the primary system, the full cash value of locally-assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) cannot increase by more than 10% per year, except under certain circumstances. This limitation does not apply to mines, utilities and railroads, which are assessed by the State. Annual tax levies under the primary system are based on the nature of the property taxed and the taxing authority. Primary taxes levied on residential property only are limited to 1% of the full cash value of such property. In addition, primary taxes levied on all types of property by counties, cities, towns and community college districts are limited to a maximum increase of 2% over the prior year's levy plus any amount directly attributable to new construction and annexation. The 2% limitation does not apply to primary taxes levied for local school districts.

Secondary assessed valuation represents the value used in determining property tax levies for the payment of principal and interest on general obligation bonds and the calculation of maximum bonded indebtedness allowed under the State's Constitutional debt limit. Under the secondary system there is no limitation on annual increases in full cash value of any property.

Secondary Assessed Valuation by Property Classification Maricopa County, Arizona

A comparison of net secondary assessed valuation by property classification of the County for the five most recent Fiscal Years is as follows:

Property Classification	2006/07 Secondary Assessed Valuation	2005/06 Secondary Assessed Valuation	2004/05 Secondary Assessed Valuation	2003/04 Secondary Assessed Valuation	2002/03 Secondary Assessed Valuation
Mining, Utility, Telecommunications,					
Commercial and Industrial	\$ 15,815,962,914	\$ 14,256,627,340	\$12,262,248,917	\$11,060,178,732	\$10,477,394,500
Agricultural and Vacant Land	3,755,948,071	2,887,980,226	2,191,386,917	1,668,405,066	1,716,977,083
Residential (Not for Profit)	26,161,841,178	16,423,855,496	13,511,625,182	12,709,832,228	10,508,503,067
Residential (Rental), Day Care and Residential Care	3,581,393,816	2,538,681,225	1,937,086,080	1,895,376,557	1,631,854,820
Railroad, Private Car Companies and Flight Property	65,610,890	56,735,478	51,281,877	27,852,682	26,547,399
Noncommercial Historic, Foreign Trade Zones, Enterprise Zones, Military Reuse Zones, Environmental Technology and Manufacturing	82,856,699	155,287,204	111,496,676	114,194,065	93,459,826
Commercial Historic	2,908,383	2,029,605	1,799,935	1,534,021	1,728,038
Residential Historic Property	599,178	60,467	61,086	606,004	573,481
Improvements on federal, state, county or municipal property	81,740	81,740	-	8,173	9,068
	<u>\$ 49,467,202,869</u>	<u>\$ 36,321,338,781</u>	<u>\$30,066,986,670</u>	<u>\$27,477,987,528</u>	<u>\$24,457,047,282</u>

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue and the County Finance Department.

**Secondary Assessed Valuation of Major Taxpayers
Maricopa County, Arizona**

Taxpayer (a)	2006/07 Secondary Assessed Valuation	As % of County's Total 2006/07 Secondary Assessed Valuation
Arizona Public Service Company	\$ 991,849,988	2.73 %
Qwest Corporation	364,864,765	1.00
Southwest Gas Corporation	159,660,774	0.44
Southern California Edison Co.	155,928,213	0.43
El Paso Electric Co.	134,412,281	0.37
Intel Corporation	112,901,401	0.31
Wal-Mart Stores Inc	77,612,077	0.21
Public Service Company Of New Mexico	76,668,041	0.21
Safeway Inc.	75,695,537	0.21
Target Corporation	75,503,977	0.21
Wells Fargo Bank	72,003,533	0.20
Cox Com Inc	70,572,156	0.19
Southrn Cal Public Power Authority	59,826,579	0.16
Mesquite Power LLC	55,772,536	0.15
Scottsdale Fashion Square Partnership	54,834,666	0.15
Abs Sw Investor LLC	51,897,042	0.14
Panda Gila River LP	51,552,855	0.14
Freescale Semiconductor Inc	44,055,427	0.12
Metropolitan Life Insurance Company	42,543,598	0.12
Sheraton: The Phoenician	41,266,478	0.11
Total		7.62%

- (a) Some of the County's major taxpayers are subject to the informational requirements of the Exchange Act, and in accordance therewith file reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information (collectively, the "Filings") may be inspected and copies are available at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of the Filings can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the Filings may also be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005. None of the County, the Financial Advisor, the Underwriters or counsel or advisors have made an independent determination of the financial position of any of the major taxpayers listed above.

Source: County Treasurer's Office.

Comparative Secondary Assessed Valuation Histories

<u>Fiscal Year</u>	<u>City of Phoenix</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2006/07	\$16,067,002,584	\$ 49,467,202,869	\$ 54,436,547,031
2005/06	12,327,334,621	36,321,338,781	48,931,946,145
2004/05	10,489,921,645	30,066,986,670	44,461,738,026
2003/04	9,792,188,415	27,477,987,528	40,839,898,348
2002/03	8,802,883,478	24,457,047,282	36,805,206,912

Source: *State and County Abstract of the Assessment Role*, State of Arizona Department of Revenue and The Arizona Property Tax Research Foundation, *Property Tax Rates and Assessed Values*.

**Estimated Full Cash Valuation (a)
Maricopa County, Arizona**

<u>Fiscal Year</u>	<u>Estimated Full Cash Value</u>
2006/07	\$ 377,183,457,245
2005/06	241,242,769,216
2004/05	213,696,497,962
2003/04	195,955,557,992
2002/03	171,710,442,632

- (a) Estimated full cash value is the total market value of the taxable property less estimated exempt property within the City as provided to the City by the Arizona Department of Revenue, Division of Property and Special Taxes.

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APPENDIX C

**MARICOPA COUNTY
GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED JUNE 30, 2005**

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of one department, a major fund, and a component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Government-wide Statements</u>				
Governmental activities:				
Stadium District	10.14%	13.19%	0.69%	0.86%
Business-type activities:				
Medical Center	0.00%	0.00%	28.84%	24.41%
Discretely presented component unit:				
Housing Authority	100.00%	100.00%	100.00%	100.00%
<u>Fund Statements</u>				
Major fund:				
Medical Center	100.00%	100.00%	100.00%	100.00%
Aggregate remaining fund information:				
Stadium District	1.19%	0.39%	0.11%	0.11%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

The Maricopa Managed Care Systems had inadequate internal controls for processing medical claims and accounting for prepayments made to medical providers. As a result, we could not rely on the Systems' financial reporting system to generate reliable information for medical expenses, prepaid expenses, and medical claims payable. Further, the Systems' records did not permit us to apply auditing procedures sufficient to determine whether the amounts reported for medical expenses, prepaid expenses, and medical claims payable in the financial statements of the Maricopa Health Plan Fund, the Arizona Long-Term Care System (ALTCS) Fund, and business-type activities were accurate. In addition, these control deficiencies affected the amounts reported in those funds and business-type activities for charges for services revenues, accounts receivable, due from other funds, and due to other funds.

Since the Maricopa Managed Care Systems did not maintain adequate internal controls for processing medical claims and accounting for prepayments made to medical providers and we were not able to apply auditing procedures to satisfy ourselves as to the amounts reported for medical services, prepaids, and medical claims payable, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the Maricopa Health Plan Fund, the ALTCS Fund, and business-type activities as of and for the year ended June 30, 2005.

In addition, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, General Fund, Jail Operations Fund, Lease Revenue Fund, and aggregate remaining fund information of Maricopa County as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

As described in Note 1, the County retroactively reported all Flood Control District infrastructure assets as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

The Management's Discussion and Analysis on pages 3 through 17, the Budgetary Comparison Schedules on pages 83 through 87, the Schedule of Agent Retirement Plans' Funding Progress on page 88, and the Infrastructure Assets information on page 89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Debbie Davenport
Auditor General

December 18, 2006



Financial Section

Basic Financial Statements

Maricopa County

Definitions of Government-wide Financial Statements and Listing of Major Funds

Government-wide Financial Statements

The **Statement of Net Assets** presents information on all of Maricopa County's assets and liabilities, with the difference between the two reported as net assets.

The **Statement of Activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The above two statements are presented utilizing the following types of activities:

Governmental Activities – generally are financed through taxes and intergovernmental revenues.

Business-type Activities – are financed in whole or in part by fees charged to external parties.

Major Funds

General Fund – is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds

Jail Operations Fund – was established under the authority of propositions 400 and 401, which were passed in the General Election of November 3, 1998. These propositions authorized a temporary 1/5 of one-cent sales tax to be used for the construction and operation of adult and juvenile detention facilities. On November 5, 2002, the voters approved the extension of the 1/5 of one-cent sales tax in the General Election. The extension begins in the month following the expiration of the original tax and may continue for not more than twenty years after the date the tax collection begins. The Jail Operations Fund accounts for the jail tax revenue and transfers from the General Fund for maintenance of effort and jail operations expenditures. The Jail Operations Fund transfers monies to the Jail Construction Fund for the construction of the jail facilities. The amount to be transferred to the Jail Construction Fund for any given year is determined through the budget planning process and tied to the jail tax collection projection and construction schedules.

Debt Service Funds

Lease Revenue Fund – accounts for the debt service on the Lease Revenue Bonds, Series 2001; the Lease Revenue Refunding Bonds, Series 2003; Lease Trust Certificates, Series 2004; and other long-term obligations. Funding is provided by transfers from the General Fund, intergovernmental revenue from the Maricopa County Special Health Care District, a separate legal entity, and pledged contributions from various donors for the Human Services Campus.

Maricopa County Definitions of Government-wide Financial Statements and Listing of Major Funds (Continued)

Enterprise Funds

Medical Center Fund – provides quality, cost competitive health care and health professional education to assure the health security of individuals, families, and the community.

Maricopa Health Plan Fund – is an ambulatory health care program operated by Maricopa Managed Care Systems (MMCS). MMCS contracts with the Arizona Health Care Cost Containment System (AHCCCS), which provides monthly capitation revenues based on Acute Health Care program enrollment.

Arizona Long-Term Care System (ALTCS) Fund – is a managed care, long-term care program operated by Maricopa Managed Care Systems (MMCS). Chronically ill and physically disabled patients receive medical services as a result of an annual contract with the Arizona Health Care Cost Containment System (AHCCCS).

Maricopa County
Statement of Net Assets
June 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HOUSING AUTHORITY
ASSETS				
Cash in bank and on hand	\$ 2,085,023	\$ 500	\$ 2,085,523	\$ 1,061,527
Cash and investments held by County Treasurer	790,590,879	27,644,949	818,235,828	
Receivables	20,242,491	27,180,519	47,423,010	6,654,436
Internal balances	15,341,348	(15,341,348)		
Due from other governmental units	190,282,099		190,282,099	
Inventories	7,156,614		7,156,614	104,040
Prepays	2,978,624	16,015,685	18,994,309	6,093
Deferred costs	3,644,801		3,644,801	
Miscellaneous	4,132,511	11,694	4,144,205	
Intergovernmental loans	340,064		340,064	
Advances to other funds	73,000		73,000	
Cash and investments held by trustee – restricted	43,531,742	7,277	43,539,019	
Capital assets:				
Land	482,071,568	1,187,486	483,259,054	4,830,082
Buildings and improvements	1,242,586,482	63,562	1,242,650,044	38,332,221
Machinery and equipment	191,839,946	12,856,432	204,696,378	577,262
Infrastructure – nondepreciable	534,834,243		534,834,243	
Infrastructure – depreciable	224,835,151		224,835,151	
Construction in progress	163,344,073		163,344,073	2,394,539
(Accumulated depreciation)	(397,537,528)	(12,602,623)	(410,140,151)	(23,728,817)
Total assets	<u>3,522,373,131</u>	<u>57,024,133</u>	<u>3,579,397,264</u>	<u>30,231,383</u>
LIABILITIES				
Accounts payable	72,111,735	9,958,484	82,070,219	228,775
Accrued liabilities	5,841,179	1,675,462	7,516,641	
Employee compensation payable	60,155,739	22,411	60,178,150	114,096
Accrued interest payable	2,936,034	711	2,936,745	
Medical claims payable		60,229,660	60,229,660	
Deferred revenue	45,039,538		45,039,538	
Due to other governmental units	10,377,647		10,377,647	
Deposits held for other parties	1,334,556		1,334,556	151,608
Noncurrent liabilities:				
Due within one year	45,480,771	351,539	45,832,310	
Due in more than one year	215,975,315	9,627,949	225,603,264	361,015
Total liabilities	<u>459,252,514</u>	<u>81,866,216</u>	<u>541,118,730</u>	<u>855,494</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,345,910,917	1,388,358	2,347,299,275	22,405,287
Restricted for:				
General government	10,476,044		10,476,044	
Public safety	142,384,026		142,384,026	
Highways and streets	55,048,755		55,048,755	
Health, welfare and sanitation	4,061,822		4,061,822	
Culture and recreation	27,358,303		27,358,303	
Debt service	21,166,090	7,277	21,173,367	
Unrestricted	456,714,660	(26,237,718)	430,476,942	6,970,602
Total net assets	<u>\$ 3,063,120,617</u>	<u>\$ (24,842,083)</u>	<u>\$3,038,278,534</u>	<u>\$ 29,375,889</u>

The notes to the financial statements are an integral part of this statement.

Maricopa County
Statement of Activities
For the Fiscal Year Ended June 30, 2005

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<u>Functions/Programs</u>				
Primary government:				
Governmental activities:				
General government	\$ 157,764,168	\$ 37,213,997	\$ 5,240,299	\$ 5,216,799
Public safety	685,762,001	84,213,640	82,607,908	171,116
Highways and streets	63,014,453	6,550,179	99,354,804	33,629,384
Health, welfare and sanitation	439,784,002	28,100,481	178,886,790	
Culture and recreation	33,068,497	8,954,896	1,233,132	
Education	18,397,229	2,383,943	15,093,525	
Interest on long-term debt	7,827,876			
Total governmental activities	<u>1,405,618,226</u>	<u>167,417,136</u>	<u>382,416,458</u>	<u>39,017,299</u>
Business-type activities:				
Medical Center	168,986,980	158,640,394	2,501,372	19,944
Arizona Health Care Cost Containment System (AHCCCS) – Acute Health Care program	132,314,013	117,680,705		
AHCCCS – Arizona Long-Term Care System (ALTCS) program	252,178,102	220,784,342		
Other business-type activities	<u>29,911,332</u>	<u>21,213,776</u>		
Total business-type activities	<u>583,390,427</u>	<u>518,319,217</u>	<u>2,501,372</u>	<u>19,944</u>
Total primary government	<u>\$ 1,989,008,653</u>	<u>\$ 685,736,353</u>	<u>\$ 384,917,830</u>	<u>\$ 39,037,243</u>
Component unit:				
Housing Authority	<u>\$ 16,919,411</u>	<u>\$ 1,451,297</u>	<u>\$ 14,879,110</u>	<u>\$ 446,964</u>
Total component unit	<u>\$ 16,919,411</u>	<u>\$ 1,451,297</u>	<u>\$ 14,879,110</u>	<u>\$ 446,964</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for Flood Control District				
Property taxes, levied for Library District				
Share of state sales taxes				
Sales tax – Jail construction and operation				
Surcharge tax – Stadium District				
Vehicle license tax				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Loss on disposal of capital assets				
Miscellaneous				
Special item – loss on closure of business activity				
Transfers				
Total general revenues, special item, and transfers				
Change in net assets				
Net assets, beginning, as restated				
Net assets, ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Housing Authority
\$ (110,093,073)		\$ (110,093,073)	\$
(518,769,337)		(518,769,337)	
76,519,914		76,519,914	
(232,796,731)		(232,796,731)	
(22,880,469)		(22,880,469)	
(919,761)		(919,761)	
(7,827,876)		(7,827,876)	
(816,767,333)		(816,767,333)	
	(7,825,270)	(7,825,270)	
	(14,633,308)	(14,633,308)	
	(31,393,760)	(31,393,760)	
	(8,697,556)	(8,697,556)	
	(62,549,894)	(62,549,894)	
(816,767,333)	(62,549,894)	(879,317,227)	
			\$ (142,040)
			\$ (142,040)
357,712,304		357,712,304	
56,093,885		56,093,885	
15,796,618		15,796,618	
397,712,843		397,712,843	
119,143,064		119,143,064	
6,024,355		6,024,355	
122,637,827		122,637,827	
1,813,162		1,813,162	
20,995,575	1,002,779	21,998,354	
(18,666,719)		(18,666,719)	
4,262,227		4,262,227	
	(108,765,405)	(108,765,405)	
(37,047,610)	37,047,610		
1,046,477,531	(70,715,016)	975,762,515	
229,710,198	(133,264,910)	96,445,288	(142,040)
2,833,410,419	108,422,827	2,941,833,246	29,517,929
\$ 3,063,120,617	\$ (24,842,083)	\$ 3,038,278,534	\$ 29,375,889

Maricopa County
Balance Sheet
Governmental Funds
June 30, 2005

	GENERAL	JAIL OPERATIONS	LEASE REVENUE
<u>ASSETS</u>			
Cash in bank and on hand	\$ 88,800	\$ 480,550	\$
Cash and investments held by County Treasurer	340,566,410	61,408,724	34,453,989
Receivables	11,190,389	358,771	5,014,498
Due from other funds	22,932,309		
Due from other governmental units	86,078,240	24,851,967	25,398,791
Inventories	2,914,660	108,406	
Miscellaneous	524,649		
Intergovernmental loans	340,064		
Advances to other funds	73,000		
Cash and investments held by trustee - restricted			23,030,717
Total assets	<u>\$ 464,708,521</u>	<u>\$ 87,208,418</u>	<u>\$ 87,897,995</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable	\$ 14,991,879	\$ 6,054,362	\$
Employee compensation payable	11,152,634	4,403,258	
Accrued liabilities	1,049,976	662	
Due to other funds			
Due to other governmental units		3,391	
Interest payable			2,684,735
Bonds payable			9,693,434
Special assessment debt with governmental commitment			
Deferred revenue	6,236,578		28,223,791
Deposits held for other parties			
Total liabilities	<u>33,431,067</u>	<u>10,461,673</u>	<u>40,601,960</u>
Fund balances:			
Reserved for:			
Inventories	2,914,660	108,406	
Intergovernmental loans	306,058		
Advances	60,834		
Debt service			10,652,548
Unreserved, reported in:			
General fund	427,995,902		
Special revenue funds		76,638,339	
Capital projects funds			
Debt service funds			36,643,487
Total fund balances	<u>431,277,454</u>	<u>76,746,745</u>	<u>47,296,035</u>
Total liabilities and fund balances	<u>\$ 464,708,521</u>	<u>\$ 87,208,418</u>	<u>\$ 87,897,995</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of equipment services, telecommunications, reprographics, risk management, employee benefits, and the sheriff warehouse to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

Some long-term liabilities and compensated absences are not due and payable shortly after June 30, 2005, and, therefore, are not reported in the funds.

Net assets of governmental activities

The notes to the financial statements are an integral part of this statement.

OTHER GOVERNMENTAL FUNDS		TOTAL GOVERNMENTAL FUNDS	
\$	1,514,373	\$	2,083,723
	289,119,371		725,548,494
	3,435,983		19,999,641
	65,399		22,997,708
	53,953,101		190,282,099
	2,328,218		5,351,284
	887,058		1,411,707
			340,064
			73,000
	20,501,025		43,531,742
\$	371,804,528	\$	1,011,619,462
\$	47,647,311	\$	68,693,552
	5,065,684		20,621,576
	4,789,277		5,839,915
	5,062,153		5,062,153
	10,374,256		10,377,647
	9,468		2,694,203
			9,693,434
	28,533		28,533
	39,489,797		73,950,166
	1,334,556		1,334,556
	113,801,035		198,295,735
	2,328,218		5,351,284
			306,058
			60,834
	10,513,542		21,166,090
			427,995,902
	115,549,187		192,187,526
	129,612,546		129,612,546
			36,643,487
	258,003,493		813,323,727
\$	371,804,528		
			2,437,909,561
			28,910,628
			15,400,001
			(232,423,300)
		\$	3,063,120,617

Maricopa County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	GENERAL	JAIL OPERATIONS	LEASE REVENUE
REVENUES			
Taxes	\$ 360,027,509	\$ 119,143,064	\$
Licenses and permits	1,494,042		
Intergovernmental	615,339,839	21,163,928	2,036,361
Charges for services	26,032,203		
Fines and forfeits	15,719,102		
Special assessments			
Miscellaneous	15,191,288	965,652	5,583,061
Total revenues	<u>1,033,803,983</u>	<u>141,272,644</u>	<u>7,619,422</u>
EXPENDITURES			
Current:			
General government	124,790,210		
Public safety	317,499,237	200,538,280	
Highways and streets			
Health, welfare and sanitation	316,750,316		
Culture and recreation	1,245,500		
Education	1,920,743		
Debt service:			
Principal			11,079,415
Interest			5,373,924
Other expenditures			
Capital outlay	20,373,536	10,912,221	
Total expenditures	<u>782,579,542</u>	<u>211,450,501</u>	<u>16,453,339</u>
Excess (deficiency) of revenues over expenditures	<u>251,224,441</u>	<u>(70,177,857)</u>	<u>(8,833,917)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	40,673,453	133,176,891	4,132,719
Transfers out	(188,318,110)	(47,591,538)	(33,008,452)
Capital lease agreements	8,384,655		
Proceeds from bond issuance			
Total other financing sources (uses)	<u>(139,260,002)</u>	<u>85,585,353</u>	<u>(28,875,733)</u>
Net change in fund balances	111,964,439	15,407,496	(37,709,650)
Fund balances at beginning of year	318,305,892	61,455,108	85,005,685
Increase (decrease) in reserve for inventories	1,007,123	(115,859)	
Fund balances at end of year	<u>\$ 431,277,454</u>	<u>\$ 76,746,745</u>	<u>\$ 47,296,035</u>

The notes to the financial statements are an integral part of this statement.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 77,581,237	\$ 556,751,810
33,271,590	34,765,632
265,616,038	904,156,166
48,703,554	74,735,757
6,136,275	21,855,377
3,536,133	3,536,133
35,098,887	56,838,888
<u>469,943,714</u>	<u>1,652,639,763</u>
5,274,501	130,064,711
118,831,166	636,868,683
48,811,843	48,811,843
121,095,489	437,845,805
20,901,413	22,146,913
16,093,878	18,014,621
4,597,644	15,677,059
3,218,601	8,592,525
11,870	11,870
<u>174,644,028</u>	<u>205,929,785</u>
<u>513,480,433</u>	<u>1,523,963,815</u>
<u>(43,536,719)</u>	<u>128,675,948</u>
168,566,684	346,549,747
(126,140,079)	(395,058,179)
	8,384,655
<u>12,000,000</u>	<u>12,000,000</u>
<u>54,426,605</u>	<u>(28,123,777)</u>
10,889,886	100,552,171
246,577,964	711,344,649
535,643	1,426,907
<u>\$ 258,003,493</u>	<u>\$ 813,323,727</u>

Maricopa County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities

For the Fiscal Year Ended June 30, 2005

Net change in fund balances – total governmental funds (page 29)	\$ 100,552,171
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Amounts reported for governmental activities in the Statement of Activities pages 24-25 are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	118,759,739
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	1,977,246
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	8,666,288
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(20,563,448)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount is the net effect of differences in recognition of expenses and expenditures.	7,654,386
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Internal service funds are used by management to charge the costs of equipment services, telecommunications, reprographics, risk management, employee benefits, and the sheriff warehouse to individual funds. The net revenue of internal service funds is reported with governmental activities.	12,663,816
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Change in net assets of governmental activities (page 25)	<u>\$ 229,710,198</u>
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The notes to the financial statements are an integral part of this statement.



Maricopa County
Statement of Net Assets
Proprietary Funds
June 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	MARICOPA HEALTH PLAN	ALTCS	OTHER ENTERPRISE FUNDS
ASSETS			
Current assets:			
Cash in bank and on hand	\$	\$	\$ 500
Cash and investments held by County Treasurer		12,692,616	14,952,333
Receivables:			
Accounts	15,031,280	12,079,962	
Accrued interest			69,277
Inventories			
Prepays	9,838,220	5,520,005	657,460
Miscellaneous			11,694
Total current assets	<u>24,869,500</u>	<u>30,292,583</u>	<u>15,691,264</u>
Noncurrent assets:			
Restricted:			
Investments held by trustee			7,277
Capital assets:			
Land			1,187,486
Buildings and improvements			63,562
Machinery and equipment	3,383,332	6,967,447	2,505,653
Less accumulated depreciation	(3,383,332)	(6,818,285)	(2,401,006)
Total noncurrent assets	<u></u>	<u>149,162</u>	<u>1,362,972</u>
Total assets	<u>24,869,500</u>	<u>30,441,745</u>	<u>17,054,236</u>
LIABILITIES			
Current liabilities:			
Vouchers payable	1,200,544	8,137,784	620,156
Employee compensation payable			22,411
Accrued liabilities	1,113,200	555,167	7,095
Interest payable			711
Due to other funds	14,324,346		1,017,002
Medical claims payable	28,900,000	28,509,403	2,820,257
Leases payable (current portion)			
Lease revenue bonds payable (current portion)			6,566
Advances from other funds (current portion)			12,166
Liability for reported and incurred but not reported claims (current portion)			
Liability for closure and postclosure costs (current portion)			332,807
Total current liabilities	<u>45,538,090</u>	<u>37,202,354</u>	<u>4,839,171</u>
Noncurrent liabilities:			
Leases payable			
Lease revenue bonds payable			36,933
Advances from other funds			60,834
Liability for reported and incurred but not reported claims			
Liability for closure and postclosure costs			9,530,182
Total noncurrent liabilities	<u></u>	<u></u>	<u>9,627,949</u>
Total liabilities	<u>45,538,090</u>	<u>37,202,354</u>	<u>14,467,120</u>
NET ASSETS			
Invested in capital assets, net of related debt		149,162	1,239,196
Restricted for debt service			7,277
Unrestricted (deficit)	(20,668,590)	(6,909,771)	1,340,643
Total net assets	<u>\$ (20,668,590)</u>	<u>\$ (6,760,609)</u>	<u>\$ 2,587,116</u>

The notes to the financial statements are an integral part of this statement.

TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
\$ 500	\$ 1,300
27,644,949	65,042,385
27,111,242	
69,277	242,850
	1,805,330
16,015,685	2,978,624
11,694	2,720,804
70,853,347	72,791,293
7,277	
1,187,486	
63,562	323,649
12,856,432	8,216,739
(12,602,623)	(4,476,014)
1,512,134	4,064,374
72,365,481	76,855,667
9,958,484	3,418,183
22,411	635,656
1,675,462	1,264
711	
15,341,348	2,594,207
60,229,660	81,440
6,566	
12,166	24,230,882
332,807	
87,579,615	30,961,632
36,933	153,430
60,834	
	30,340,604
9,530,182	
9,627,949	30,494,034
97,207,564	61,455,666
1,388,358	
7,277	3,829,504
(26,237,718)	11,570,497
\$ (24,842,083)	\$ 15,400,001

Maricopa County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	MEDICAL CENTER	MARICOPA HEALTH PLAN	ALTCS
<u>OPERATING REVENUES</u>			
Net patient service revenue	\$ 154,393,451	\$	\$
Charges for services		117,680,705	220,784,342
Intergovernmental charges			
Miscellaneous	4,246,943		
Total operating revenues	158,640,394	117,680,705	220,784,342
<u>OPERATING EXPENSES</u>			
Personal services	99,950,291	10,576,500	13,902,390
Supplies	29,066,131	645,721	1,063,062
Medical services	14,367,731	116,637,153	225,330,673
Other services	6,504,367	26,516	2,874,521
Legal			
Insurance			
Leases and rentals	2,264,361	645,565	840,647
Repairs and maintenance	2,631,568		
Travel and transportation			
Utilities	2,205,906		
Depreciation	6,491,561		3,164,273
Miscellaneous	4,643,242	986,427	398,030
Total operating expenses	168,125,158	129,517,882	247,573,596
Operating income (loss)	(9,484,764)	(11,837,177)	(26,789,254)
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Grant revenues	2,501,372		
Investment income	19,944	112,626	489,636
Interest expense	(861,822)		
Premium tax		(2,796,131)	(4,604,506)
Gain (loss) on disposal of capital assets			
Total nonoperating revenues (expenses)	1,659,494	(2,683,505)	(4,114,870)
Income (loss) before contributions, special item, and transfers	(7,825,270)	(14,520,682)	(30,904,124)
Capital contributions			
Special item – loss on closure of business activity	(108,765,405)		
Transfers in	35,397,881	5,187,415	6,902,168
Transfers out	(25,713,474)		
Change in net assets	(106,906,268)	(9,333,267)	(24,001,956)
Total net assets (deficit) – beginning	106,906,268	(11,335,323)	17,241,347
Total net assets (deficit) – ending	\$	\$	\$

The notes to the financial statements are an integral part of this statement.

OTHER ENTERPRISE FUNDS	TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
\$	\$	\$
21,099,712	154,393,451	89,214,963
	359,564,759	9,983,003
114,064	4,361,007	114,975
21,213,776	518,319,217	99,312,941
1,005,986	125,435,167	7,101,364
1,625,893	32,400,807	11,099,342
26,917,004	383,252,561	
46,559	9,451,963	5,140,939
		6,845,582
		54,285,008
27,693	3,778,266	1,890,671
	2,631,568	2,786,431
		35,218
1,904	2,207,810	5,420,899
51,669	9,707,503	854,708
27,298	6,054,997	
29,704,006	574,920,642	95,460,162
(8,490,230)	(56,601,425)	3,852,779
	2,501,372	
400,517	1,022,723	1,234,812
(207,326)	(1,069,148)	(72,464)
	(7,400,637)	
		(43,282)
193,191	(4,945,690)	1,119,066
(8,297,039)	(61,547,115)	4,971,845
		156,572
	(108,765,405)	
15,273,620	62,761,084	7,545,007
	(25,713,474)	(9,608)
6,976,581	(133,264,910)	12,663,816
(4,389,465)	108,422,827	2,736,185
\$ 2,587,116	\$ (24,842,083)	\$ 15,400,001

Maricopa County

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	MEDICAL CENTER	MARICOPA HEALTH PLAN	ALTCS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from contractors, patients and other payors	\$ 176,111,537	\$ 123,164,797	\$ 225,970,348
Charges for services			
Receipts from other governments for services provided			
Payments for goods and services	(74,048,055)	(126,139,448)	(243,540,889)
Payments for personal services	(86,724,671)	(9,722,158)	(13,233,695)
Other receipts and payments	(22,453)		
Net cash provided by (used for) operating activities	15,316,358	(12,696,809)	(30,804,236)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from General Fund			
Grant receipts	2,501,372		
Cash transfers from other funds	13,600,222	5,187,415	6,902,168
Interest payments			
Loan payments to General Fund	(21,864,991)		
Premium tax		(2,540,061)	(4,704,196)
Cash transferred to Maricopa County Special Health Care District	(6,336,001)		
Net cash provided by (used for) noncapital financing activities	(12,099,398)	2,647,354	2,197,972
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(2,495,434)		
Capital lease payments			
Principal payments on long-term debt	(1,995,113)		
Interest payments on long-term debt	(1,104,884)		
Net cash used for capital and related financing activities	(5,595,431)		
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	19,944	112,626	487,545
Net cash provided by investing activities	19,944	112,626	487,545
Net increase (decrease) in cash and cash equivalents	(2,358,527)	(9,936,829)	(28,118,719)
Cash and cash equivalents, July 1, 2004	2,358,527	9,936,829	40,811,335
Cash and cash equivalents, June 30, 2005	\$	\$	\$ 12,692,616
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (9,484,764)	\$ (11,837,177)	\$ (26,789,254)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation expense	6,491,561		3,164,273
Liability for reported and incurred but not reported claims – noncurrent			
Net change in liability for postclosure costs – noncurrent			
Changes in assets [(increase) / decrease] and liabilities [(increase) / (decrease)]:			
Accounts receivable	22,050,040	5,509,974	5,243,509
Due from other funds		7,407,830	6,051,523
Inventories	191,056		
Prepays		(6,227,235)	16,976,293
Miscellaneous		13,260	25,421
Vouchers payable	295,899	937,622	6,308,258
Employee compensation payable			
Accrued liabilities		(508,127)	(1,766,558)
Due to other funds		(8,720,957)	(12,932,217)
Due to other governmental units	(4,227,434)		
Medical claims payable		728,001	(27,085,484)
Liability for reported and incurred but not reported claims – current			
Liability for closure and postclosure costs – current			
Net cash provided by (used for) operating activities	\$ 15,316,358	\$ (12,696,809)	\$ (30,804,236)
SCHEDULE OF NONCASH INVESTING, CAPITAL AND NONCAPITAL ACTIVITIES – Debit (Credit)			
Accumulated depreciation from disposed capital assets	\$	\$	\$
Machinery and equipment disposed			
Loss on disposal of capital assets			
Capital assets acquired	1,731,368		
Capital leases payable	(390,884)		
Vouchers payable	(1,340,484)		
Capital contributions			
Capital assets transferred from governmental activities			
Accumulated depreciation transferred to governmental activities	18,950,951		
Capital assets transferred to governmental activities	(44,664,425)		
Transfer out capital assets to governmental activities	25,713,474		
Transfer in long-term debt to governmental activities	(21,797,659)		
Current portion of long-term debt transferred to governmental activities	2,041,917		
Long-term debt transferred to governmental activities	19,755,742		

The notes to the financial statements are an integral part of this statement.

OTHER ENTERPRISE FUNDS	TOTALS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
\$ 21,577,202	\$ 525,246,682	\$ 88,276,550
(47,107,138)	21,577,202	10,361,534
(999,661)	(490,835,530)	(81,961,461)
114,064	(110,680,185)	(7,103,041)
(26,415,533)	91,611	46,391
	(54,600,220)	9,619,973
		2,594,207
26,273,620	2,501,372	
(205,903)	51,963,425	7,545,007
(12,166)	(205,903)	(63,762)
	(21,877,157)	(1,781,686)
	(7,244,257)	
	(6,336,001)	
26,055,551	18,801,479	8,293,766
(219,878)	(2,715,312)	(1,538,650)
(32,830)	(2,027,943)	(112,010)
(2,103)	(1,106,987)	(8,702)
(254,811)	(5,850,242)	(1,659,362)
400,714	1,020,829	1,175,038
400,714	1,020,829	1,175,038
(214,079)	(40,628,154)	17,429,415
15,174,189	68,280,880	47,614,270
\$ 14,960,110	\$ 27,652,726	\$ 65,043,685
\$ (8,490,230)	\$ (56,601,425)	\$ 3,852,779
51,669	9,707,503	854,708
(768,856)	(768,856)	3,621,540
477,490	33,281,013	
4,470,166	17,929,519	
	191,056	(455,855)
243,323	10,992,381	(134,239)
2,526,898	2,565,579	(936,585)
(563,118)	6,978,661	(453,728)
6,325	6,325	(1,677)
(3,939,637)	(6,214,322)	(5,153)
(15,610,549)	(37,263,723)	
	(4,227,434)	
(4,837,365)	(31,194,848)	
18,351	18,351	3,278,183
\$ (26,415,533)	\$ (54,600,220)	\$ 9,619,973
\$ 191,455	\$ 191,455	\$ 138,727
(191,455)	(191,455)	(182,009)
	1,731,368	43,282
	(390,884)	
	(1,340,484)	
		(156,572)
	18,950,951	156,572
	(44,664,425)	72,666
	25,713,474	(82,274)
	(21,797,660)	9,608
	2,041,918	
	19,755,742	

Maricopa County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	INVESTMENT TRUST FUND TREASURER'S INVESTMENT POOL	AGENCY FUND
<u>Assets</u>		
Cash in bank and on hand	\$	\$ 35,901,326
Cash and investments held by County Treasurer	1,842,248,762	
Accrued interest receivable	8,137,599	
Total assets	<u>1,850,386,361</u>	<u>35,901,326</u>
<u>Liabilities</u>		
Deposits held for other parties		35,901,326
Total liabilities		<u>\$ 35,901,326</u>
<u>Net Assets</u>		
Held in trust for investment participants	<u>\$ 1,850,386,361</u>	

The notes to the financial statements are an integral part of this statement.

Maricopa County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	INVESTMENT TRUST FUND TREASURER'S INVESTMENT POOL
<u>Additions:</u>	
Contributions from participants	\$ 10,833,818,276
Investment income:	
Interest income	37,238,947
Net decrease in fair value of investments	<u>(5,102,138)</u>
Net investment earnings	<u>32,136,809</u>
Total additions	<u>10,865,955,085</u>
<u>Deductions:</u>	
Distributions to participants	<u>10,508,150,321</u>
Total deductions	<u>10,508,150,321</u>
Change in net assets	357,804,764
Net assets – beginning	<u>1,492,581,597</u>
Net assets – ending	<u><u>\$ 1,850,386,361</u></u>

The notes to the financial statements are an integral part of this statement.



Financial Section

Basic Financial Statements - Notes

Maricopa County Basic Financial Statements – Notes

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Maricopa County

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Maricopa County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2005, the County implemented the provisions of GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments* that requires at the applicable transition date the retroactive capitalization and reporting of all major general infrastructure assets. Also, during the year ended June 30, 2005, the County implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the County's deposits and investments. The implementation of GASB Statement No. 40 requires only additional disclosures, and had no effect on reported amounts for deposits, investments, net assets, or changes in net assets.

A. Reporting Entity

Maricopa County is a general purpose local government governed by a separately elected board of five county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The reporting entity is comprised of the primary government, Maricopa County Flood Control District, Maricopa County Library District, Maricopa County Public Finance Corporation, Maricopa County Special Assessment Districts, Maricopa County Stadium District, Maricopa County Street Lighting Districts, and the Housing Authority of Maricopa County.

The blended component units are as follows:

Maricopa County Flood Control District

The Maricopa County Flood Control District is a legally separate, tax-levying entity that provides flood control facilities and regulates floodplains and drainage to prevent flooding of property in Maricopa County. As the Maricopa County Board of Supervisors serves as the Board of Directors of the Flood Control District, it is able to significantly influence the programs, projects, activities, or level of services provided by the District; therefore, the District is considered a blended component unit of the County.

Maricopa County Library District

The Maricopa County Library District is a legally separate, tax-levying entity that provides and maintains library services for the residents of Maricopa County. As the Maricopa County Board of Supervisors serves as the Board of Directors of the Library District, it is able to significantly influence the programs, projects, activities, or level of services provided by the District; therefore, the District is considered a blended component unit of the County.

Notes to the Financial Statements (Continued)

Maricopa County Public Finance Corporation

Maricopa County Public Finance Corporation is a nonprofit corporation created by the Maricopa County Board of Supervisors that exists primarily to assist the County in the acquisition, construction, and improvement of County facilities, including real property and personal property. The Board of Directors of the Public Finance Corporation is subject to the approval of the County Board of Supervisors and the corporation exists primarily for the benefit of the County; therefore, the corporation is considered a blended component unit of the County. The corporation has issued certificates of participation, lease revenue bonds, and lease trust certificates that evidence undivided proportionate interests in rent payments to be made under the lease agreements, with an option to purchase, between Maricopa County and the Corporation. Since this debt is in substance the County's obligation, these liabilities and resulting assets are reported on the County's financial statements.

Maricopa County Special Assessment Districts

The Special Assessment Districts are legally separate entities that provide improvements to various properties within the County. As the Maricopa County Board of Supervisors serves as the Board of Directors of the Maricopa County Special Assessment Districts, it is able to significantly influence the activities or level of services provided by the Districts; therefore, the Districts are considered a blended component unit of the County.

Maricopa County Stadium District

The Maricopa County Stadium District is a legally separate entity that provides regional leadership and fiscal resources to assure the presence of Major League Baseball in Maricopa County. As the Maricopa County Board of Supervisors serves as the Board of Directors of the Stadium District, it is able to significantly influence the programs, projects, activities, or level of services provided by the District; therefore, the District is considered a blended component unit of the County.

Complete financial statements for the Maricopa County Stadium District may be obtained at the entity's administrative office listed below:

Maricopa County Stadium District
401 East Jefferson
Phoenix, Arizona 85004

Maricopa County Street Lighting Districts

The Street Lighting Districts are legally separate entities that provide street lighting in areas of the County that are not under local city jurisdictions. As the Maricopa County Board of Supervisors serves as the Board of Directors of the Maricopa County Street Lighting Districts, the Districts are considered a blended component unit of the County.

The discretely presented component unit follows:

Housing Authority of Maricopa County

On July 1, 2003, the Housing Authority of Maricopa County became a legally separate entity pursuant to A.R.S. §36-1404. The Housing Authority provides efficient and affordable rental housing to low-income households of Maricopa County. Each member of the Maricopa County Board of Supervisors appoints one member to the Board of Commissioners while the sixth member shall be based on the recommendation of the County Administrative Officer and the seventh member shall be appointed by a majority vote of the Maricopa County Board of Supervisors. The County does not have the ability to impose its will on the Housing Authority. The Housing Authority is a discretely presented component

Notes to the Financial Statements (Continued)

unit, as the Maricopa County Board of Supervisors may dissolve the Authority at any time at the sole discretion of the County and, therefore, a financial benefit or burden exists.

Complete financial statements for the Housing Authority of Maricopa County may be obtained at the entity's administrative office listed below:

Housing Authority of Maricopa County
2024 North Seventh Street, Suite 101
Phoenix, Arizona 85006

Related Organization

The Industrial Development Authority of Maricopa County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises; safe, sanitary, and affordable housing; and healthcare facilities. The Authority fulfills its function through the issuance of tax exempt or taxable revenue bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide financial statements – provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component unit. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County allocates indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources, unrestricted grant revenues, and all County levied taxes or taxes not levied by the County that are not restricted to a specific program, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if doing so would distort the direct costs and program revenues reported by the departments concerned.

Notes to the Financial Statements (Continued)

Fund financial statements – provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and net patient service revenues, in which each party receives and gives up essentially equal values, are reported as operating revenues. Nonoperating revenues, such as subsidies and investment income, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following major governmental funds:

The General Fund – is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Jail Operations Fund – was established under the authority of propositions 400 and 401, which were passed in the General Election of November 3, 1998. These propositions authorized a temporary 1/5 of one-cent sales tax to be used for the construction and operation of adult and juvenile detention facilities. On November 5, 2002, the voters approved the extension of the 1/5 of one-cent sales tax in the General Election. The extension begins in the month following the expiration of the original tax and may continue for not more than twenty years after the date the tax collection begins. The Jail Operations Fund accounts for the jail tax revenue and transfers from the General Fund for maintenance of effort and jail operations expenditures. The Jail Operations Fund transfers monies to the Jail Construction Fund for the construction of the jail facilities. The amount to be transferred to the Jail Construction Fund for any given year is determined through the budget planning process and tied to the jail tax collection projection and construction schedules.

The Lease Revenue Fund – accounts for the debt service on the Lease Revenue Bonds, Series 2001; the Lease Revenue Refunding Bonds, Series 2003; Lease Trust Certificates, Series 2004; and other long-term obligations. Funding is provided by transfers from the General Fund, intergovernmental revenue from the Maricopa County Special Health Care District, a separate legal entity, and pledged contributions from various donors for the Human Services Campus.

The County reports the following major enterprise funds:

The Medical Center Fund – accounts for the operations of the Maricopa Medical Center, which provides quality, cost competitive health care and health professional education to assure the health security of individuals, families, and the community.

The Maricopa Health Plan Fund – is an ambulatory health care program operated by Maricopa Managed Care Systems (MMCS). MMCS contracts with the Arizona Health Care Cost Containment System (AHCCCS) which provides monthly capitation revenues based on Acute Health Care program enrollment.

The Arizona Long-Term Care System (ALTCS) Fund – is a managed care, long-term care program operated by Maricopa Managed Care Systems (MMCS). Chronically ill and physically disabled patients receive medical services as a result of an annual contract with the Arizona Health Care Cost Containment System (AHCCCS).

Notes to the Financial Statements (Continued)

The County also reports the following fund types:

The internal service funds – account for automotive maintenance and service, telecommunications services, printing and duplicating services, insurance services, self-insured employee benefits, and warehouse services provided to County departments or to other governments on a cost reimbursement basis.

The investment trust fund – accounts for pooled assets held and invested by the County Treasurer on behalf of other governmental entities.

The agency fund – accounts for assets held by the County as an agent for other governments and individuals.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities, enterprise funds, and the discretely presented component unit of the County follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option to not follow FASB Statements and Interpretations issued after November 30, 1989.

D. Cash and Investments

For purposes of its statements of cash flows, the County considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Notes to the Financial Statements (Continued)

E. Inventories

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at weighted-average cost.

Inventories of the proprietary funds are recorded as assets when purchased and expensed when consumed. The amount shown on the statement of net assets for the enterprise funds is valued at cost using the first-in, first-out method. The amount shown on the statement of net assets for the internal service funds is valued at cost using the moving average method.

F. Property Tax Calendar

The County levies real property taxes and commercial personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

During the year, the County also levies mobile home personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide statements and the proprietary funds. Capital assets are defined as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government and the discretely presented component unit are depreciated using the straight-line method over the following estimated useful lives:

TYPE OF ASSETS	ESTIMATED USEFUL LIFE (IN YEARS)		
	PRIMARY GOVERNMENT		DISCRETELY PRESENTED COMPONENT UNIT
Buildings	20	- 50	20 - 30
Infrastructure	25	- 50	
Autos and trucks	3	- 10	7
Other equipment	3	- 20	7

All infrastructure assets are reported on the government-wide financial statements. Infrastructure maintained by the County Department of Transportation consists of roadways, bridges and related assets. These assets will not be depreciated as they are maintained using the modified approach. Under the modified approach, the County's roadway and bridge systems are being preserved at a specified condition level established by the County. For information on the modified approach, see

Notes to the Financial Statements (Continued)

Required Supplementary Information – Modified Approach for Infrastructure Assets. The Flood Control District accounts for the County's remaining infrastructure assets consisting of drainage systems, dams, flood channels and canals.

For the Department of Transportation's infrastructure assets owned prior to fiscal year 2002, the County estimated their historical cost. The fair market value for right-of-way assets was estimated based on current regional land acquisitions and deflated by the trended growth rate, as determined by the County assessed valuation from the State of Arizona Department of Revenue Abstract of the Assessment Roll for vacant land, agriculture and government property not including legally exempt land. The fair market value for roadway system assets was estimated based on current construction costs and deflated using the Price Trends for Federal-Aid Highway Construction, published by the U.S. Department of Transportation, Federal Highway Administration, Office of Program Administration and Office of Infrastructure.

On July 1, 2004, the County retroactively reported Flood Control District infrastructure assets owned and acquired from July 1, 1980 to June 30, 2001, in compliance with GASB Statement No. 34. See Note 3 – Beginning Balances Restated for additional information. Flood Control District infrastructure assets are accounted for using the straight-line depreciation method with a useful life between 25 and 50 years. For infrastructure assets owned prior to fiscal year 2002, the County used internal records, maintained by the department, to estimate Flood Control's historical cost for these assets.

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to 240 hours of vacation leave, but any vacation hours in excess of the maximum amount that are unused at calendar year-end convert to sick leave. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, County employees with accumulated sick leave in excess of 1,000 hours are entitled to a \$3,000 bonus. The amount of such bonuses is accrued as a liability.

Compensated absences are substantially paid within one year from fiscal year-end and, therefore, are reported as a current liability on the government-wide financial statements.

NOTE 2 – REPORTING CHANGES

Beginning in fiscal year 2005, the County established the Sheriff Jail Enhancement (special revenue fund), Sheriff RICO (special revenue fund), and the Trip Reduction (special revenue fund) Funds. All are nonmajor governmental funds. The Child Support Automation (special revenue fund), General Obligation (debt service fund), and Major League Stadium (capital projects fund) Funds were eliminated, as there was no activity to report for fiscal year 2005.

Notes to the Financial Statements (Continued)

NOTE 3 – BEGINNING BALANCES RESTATED

On July 1, 2004, Maricopa County restated governmental activities capital assets balances to comply with GASB Statement No. 34 requiring retroactive capitalization of infrastructure assets. As such, the County retroactively reported all Flood Control infrastructure assets for the period July 1, 1980 to June 30, 2001. The capitalization amount was based on estimated historical cost. The depreciation amount for these assets was calculated using the straight-line method and useful lives between 25 and 50 years. As a result of the GASB 34 implementation, capital assets beginning balances were adjusted by \$416,952,842. This includes \$224,108,356 in completed infrastructure, \$5,394,767 in construction in progress, and \$187,449,719 in land. Beginning balance accumulated depreciation was adjusted by \$44,477,180 for depreciation related to these assets. In addition, the County restated beginning capital assets balances for corrections of prior periods resulting from infrastructure assets that were omitted or misclassified. The total restatement for prior period corrections related to Flood Control was \$2,271,450, which includes \$58,969 in land, \$1,633,161 in construction in progress, and \$579,320 in completed infrastructure.

On July 1, 2004, Maricopa County also restated governmental activities capital assets balances for corrections of prior periods resulting from Transportation infrastructure assets that were omitted in prior periods. The total restatement for prior period corrections related to Transportation was \$45,312,455.

Net assets as restated for Governmental Activities for the Flood Control District and the Department of Transportation are as follows:

Net Assets reported as of June 30, 2004	\$ 2,413,350,852
Flood Control adjustments:	
Increase for infrastructure land	187,508,688
Increase for infrastructure construction in progress	7,027,928
Increase for infrastructure completed assets	224,687,676
Decrease for accumulated depreciation	(44,477,180)
Flood Control adjusted net assets	\$ 374,747,112
Transportation adjustments:	
Increase for infrastructure land	\$ 5,732,671
Increase for infrastructure completed assets	39,579,784
Transportation adjusted net assets	\$ 45,312,455
Net assets as of July 1, 2004, as restated	<u>\$ 2,833,410,419</u>

On July 1, 2004, the Housing Authority, a discretely presented component unit, restated beginning net assets for the following: capital assets disposed of in the prior period, but not removed of \$1,877,301; write-off of accounts receivable for expenditures denied by the Department of Housing and Urban Development of \$441,316; adjustment for a note receivable that was not recorded in the prior period of \$2,065,000; and elimination of interest receivable that was deemed to be uncollectible of \$410,433.

The beginning net assets of the Housing Authority Component Unit were adjusted for the above as follows:

Housing Authority net assets as of June 30, 2004	\$ 30,181,979
Adjust to eliminate prior period capital assets (net)	(1,877,301)
Write-off accounts receivable	(441,316)
Adjust for note receivable not reported in prior period	2,065,000
Write-off interest receivable	(410,433)
Housing Authority net assets as of July 1, 2004, as restated	<u>\$ 29,517,929</u>

Notes to the Financial Statements

(Continued)

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet includes the reconciliation between fund balances – total governmental funds and net assets – Governmental Activities as reported in the government-wide Statement of Net Assets. The details of this reconciliation follow:

Fund balances – total governmental funds	\$ 813,323,727
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Land	\$ 482,071,568
Buildings and improvements	1,242,262,833
Machinery and equipment	183,623,207
Infrastructure	759,669,394
Construction in progress	163,344,073
Accumulated depreciation	(393,061,514)
Net governmental funds capital assets at June 30, 2005	\$ 2,437,909,561

Other assets are not available to pay for current period expenditures and therefore, are deferred in the funds.

Deferred revenue for property taxes receivable at June 30, 2005	\$ 7,434,115
Deferred revenue for grant revenues receivable at June 30, 2005	18,651,513
Deferred revenue for contributions received at June 30, 2005	2,825,000
	\$ 28,910,628

Internal service funds are used by management to charge the costs of equipment services, telecommunications, reprographics, risk management, employee benefits, and the sheriff warehouse to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

\$ 15,400,001

Some long-term liabilities and compensated absences are not due and payable shortly after June 30, 2005, and therefore, are not reported in the funds.

Noncurrent lease revenue bonds due in more than one year at June 30, 2005	\$ (91,793,067)
Lease trust certificates due in more than one year at June 30, 2005	(10,812,000)
Certificates of participation due in more than one year at June 30, 2005	(5,115,000)
Stadium District revenue bonds payable at June 30, 2005	(52,735,000)
Stadium District contractual obligations payable at June 30, 2005	(4,428,888)
Special assessment debt with governmental commitment payable at June 30, 2005	(206,925)
Deferred issuance cost at June 30, 2005	3,644,801
Bond premium payable at June 30, 2005	(7,172,286)
Governmental funds capital leases payable at June 30, 2005	(13,272,763)
Governmental funds installment purchase agreements payable at June 30, 2005	(892,254)
Claims and judgments payable at June 30, 2005	(10,499,580)
Governmental funds compensated absences payable at June 30, 2005	(38,898,507)
Accrued interest payable at June 30, 2005	(241,831)
	\$ (232,423,300)

Net assets of governmental activities	\$ 3,063,120,617
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Notes to the Financial Statements (Continued)

The governmental fund reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. The details of this reconciliation follow:

Net change in fund balances – total governmental funds	\$ 100,552,171
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Governmental funds capital outlay	\$ 170,090,619
Government-wide depreciation expense for the year ended June 30, 2005	(52,185,588)
Add: Internal service funds depreciation expense for the year ended June 30, 2005	854,708
	<u>\$ 118,759,739</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Net value of disposed capital assets for the year ended June 30, 2005	\$ (25,127,030)
Adjustment for the net value of assets capitalized in the current year but acquired in prior years	3,495,855
Construction in progress, expenditures not capitalized, deletions or infrastructure assets transferred to other municipalities	(27,085,022)
Donations of infrastructure assets	24,979,969
Net value of capital asset transfer from the Medical Center	25,713,474
	<u>\$ 1,977,246</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Grant revenues earned during the year ended June 30, 2005	\$ 8,869,710
Property taxes earned during the year ended June 30, 2005	(168,422)
Contribution revenue earned during the year ended June 30, 2005	(35,000)
	<u>\$ 8,666,288</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on bonds	\$ 13,902,923
Principal payments on lease trust certificates	1,188,000
Proceeds from capital leases	(8,384,655)
Premium on bonds	759,174
Principal payments on certificates of participation	385,000
Principal payments on capital leases	5,585,117
Principal payments on installment purchase agreements	197,980
Debt transfer from Medical Center	(21,797,659)
Deferred issuance costs	(404,804)
Proceeds from issuance of lease trust certificates	(12,000,000)
Accrued interest payable on long-term debt	5,476
	<u>\$ (20,563,448)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds until paid. In addition, some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are expensed when consumed.

Increase in employee compensation payable	\$ (3,262,941)
Increase in inventories	1,426,907
Decrease in claims and judgments payable	9,490,420
	<u>\$ 7,654,386</u>

Internal service funds are used by management to charge the costs of equipment services, telecommunications, reprographics, risk management, employee benefits, and the sheriff warehouse to individual funds. The net revenue of internal service funds is reported with governmental activities.

Change in net assets of governmental activities	<u>\$ 229,710,198</u>
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Notes to the Financial Statements

(Continued)

NOTE 5 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

At June 30, 2005, the following funds reported deficits in fund balances or net assets.

FUND	DEFICIT
Governmental Funds:	
Accommodation Schools	\$ 1,319,889
Adult Probation Grants	464,724
CDBG Housing Trust	5,197,072
Clerk of Court Grants	135,620
County Attorney Grants	322,782
Emergency Management	58,984
Environmental Services Grants	685,970
Human Services Grants	4,589,751
Juvenile Probation Grants	732,467
Medical Examiner Grants	249,013
Public Defender Training	3,206
Public Health	4,467,855
Sheriff Grants	747,526
Sheriff RICO	25,532
Superior Court Grants	43,691
Transportation Grants	349,783
Trip Reduction	1,221,550
Proprietary Funds:	
Maricopa Health Plan	\$ 20,668,590
ALTCS	6,760,609
Non-AHCCCS Health Plans	3,496,967
Equipment Services	2,107,671
Risk Management	12,702,851

The deficits in fund balances or net assets for Adult Probation Grants, CDBG Housing Trust, Clerk of Court Grants, County Attorney Grants, Emergency Management, Environmental Services Grants, Human Services Grants, Juvenile Probation Grants, Medical Examiner Grants, Public Health, Sheriff Grants, Sheriff RICO, Superior Court Grants, Transportation Grants, and Trip Reduction Funds were attributed to the deferring of certain grant revenues. The County accrues grant revenue received within 60 days after year-end, as it is available and measurable. Revenues received after 60 days are considered not available and are therefore deferred.

The deficits in net assets for the Maricopa Health Plan, ALTCS and Non-AHCCCS Health Plans Funds will be corrected in fiscal year 2006 as the County has transferred or closed these health plans. See Note 23 – Subsequent Events for additional information.

The Risk Management Fund deficit is the result of the County Board of Supervisors electing to not fund the Risk Management Fund's unpaid claims. Consequently, the Risk Management Fund only billed user departments for operating costs and administrative expenses from fiscal year 1996 to fiscal year 1999, resulting in a fund deficit of \$23,321,519 at June 30, 1999. On July 1, 1999, Risk Management began billing user departments for actuarially determined paid claim estimates.

The remaining deficits in fund balances or net assets resulted from operations during the year and are expected to be corrected through normal operations in fiscal year 2006.

Notes to the Financial Statements (Continued)

NOTE 6 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earnings investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Deposits - At June 30, 2005, the carrying amount of the County's deposits was \$72,118,384, and the bank balance was \$77,048,297. It is the County's investment policy to collateralize all deposits by at least 101 percent of the deposits not covered by depository insurance. At a minimum, the collateral is to be held by the pledging financial institution or its agent, but does not have to be held in the County's name.

At June 30, 2005, \$71,126,877 of the County's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	854,854
Uninsured with collateral held by the pledging financial institution		70,272,023
Total	\$	<u>71,126,877</u>

Notes to the Financial Statements (Continued)

Investments – The County's investments at June 30, 2005, were as follows:

Investment Type	Amount
U.S. Treasury securities	\$ 1,525,499
U.S. agency securities	2,645,591,167
Mutual funds with trustee	8,376,656
Guaranteed investment contracts	9,360,503
Other Investments	5,992,731
	<u>\$ 2,670,846,556</u>

Credit risk – It is the County's investment policy to preserve the principal value and the interest income of an investment. The County can invest in obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, or instrumentalities. The County can also invest in commercial paper and corporate bonds with ratings that meet the statutory requirements specified above. At June 30, 2005, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U. S. agency securities	Aaa	Moody's	\$ 1,881,165,791
U. S. agency securities	P1	Moody's	724,465,376
U. S. agency securities	Unrated	Not applicable	39,960,000
Mutual funds with trustee	Aaa	Moody's	8,376,656
			<u>\$ 2,653,967,823</u>

The \$39,960,000 of U.S. agency securities are discount notes issued by the Federal Agricultural Mortgage Corporation (FAMC). As specified in the FAMC Offering Circular, these discount notes were not, and are not expected to be, rated by any credit rating agency. The \$5,992,731 of other investments are related to the Public Fiduciary, which invests in equities, mutual funds, U.S. Treasury securities, and other types of investments as directed by court order. Due to the difficulty of obtaining the information and as these investment amounts are determined to be immaterial, Maricopa County will not disclose the credit risk requirements specified by GASB Statement No. 40 – Deposit and Investment Risk Disclosures.

Custodial credit risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the County's investment policy that all of the Treasurer's securities be held by the agent or trust department and in the County's name. However, the County does maintain investments in outside accounts that are uninsured and not registered in the County's name. At June 30, 2005, the County had \$8,376,656 in mutual funds held by the trustee that were uninsured and not registered in the County's name. These investments are managed by the trustee in accordance with the trust agreement. The \$5,992,731 of other investments are related to the Public Fiduciary, which invests in equities, mutual funds, U.S. Treasury securities, and other types of investments as directed by court order. Due to the difficulty of obtaining the information and as these investment amounts are determined to be immaterial, Maricopa County will not disclose the custodial credit risk requirements specified by GASB Statement No. 40 – Deposit and Investment Risk Disclosures.

Concentration of credit risk – It is the County's investment policy to preserve the principal value of its investments. However, due to the limited investments allowed under statutes and the desire to preserve the principal value, the County's investments may have a concentration of credit risk of more than 5 percent of total investments in one issuer. Five percent or more of the County's investments at June 30, 2005, were in the Federal Home Loan Bank, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. These investments were 50.6 percent, 29.7 percent, and 13.3 percent, respectively, of the County's total investments.

Interest rate risk – It is the County's investment policy to hold investments to maturity, where practical, and avoid any loss on investments resulting from an early sale or retirement of an investment. Additionally, securities should be invested for a shorter duration, where applicable. At June 30, 2005, the County had the following investments in debt securities.

Notes to the Financial Statements (Continued)

Investment Type	Amount	Investment Maturities			
		Less than 1 Year	1 – 5 Years	6 – 10 Years	More than 10 Years
U.S. Treasury securities	\$ 1,525,499	\$ 1,525,499	\$	\$	\$
U.S. agency securities	2,645,591,167	1,048,731,718	1,595,859,449	1,000,000	
Mutual funds with trustee	8,376,656	8,376,656			
Guaranteed investment contracts	9,360,503				9,360,503
	<u>\$ 2,664,853,825</u>	<u>\$ 1,058,633,873</u>	<u>\$ 1,595,859,449</u>	<u>\$ 1,000,000</u>	<u>\$ 9,360,503</u>

The \$5,992,731 of other investments are related to the Public Fiduciary, which invests in equities, mutual funds, U.S. Treasury securities, and other types of investments, as directed by court order. Due to the difficulty of obtaining the information and as these investment amounts are determined to be immaterial, Maricopa County will not disclose the interest rate risk requirements specified by GASB Statement No. 40 – Deposit and Investment Risk Disclosures.

Foreign currency risk – The County does not have a formal investment policy with respect to foreign currency risk because State statutes do not allow foreign investments.

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash, deposits and investments:						
Cash on hand			\$	107,045		
Amount of deposits				72,118,384		
Amount of investments				2,670,846,556		
Total			\$	<u>2,743,071,985</u>		
	Governmental Activities	Business-Type Activities	Investment Trust Fund	Agency Fund	Component Unit	Total
Statement of Net Assets:						
Cash in bank and on hand	\$ 2,085,023	\$ 500	\$	\$35,901,326	\$ 1,061,527	\$ 39,048,376
Cash and investments held by County Treasurer	790,590,879	27,644,949	1,842,248,762			2,660,484,590
Cash and investments held by trustee	43,531,742	7,277				43,539,019
Total	<u>\$ 836,207,644</u>	<u>\$ 27,652,726</u>	<u>\$ 1,842,248,762</u>	<u>\$35,901,326</u>	<u>\$ 1,061,527</u>	<u>\$ 2,743,071,985</u>

NOTE 7 – CONDENSED FINANCIAL STATEMENTS OF COUNTY TREASURER'S INVESTMENT POOL

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under his stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments monthly and at June 30.

The County Treasurer's investment pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments.

Notes to the Financial Statements (Continued)

The Treasurer allocates interest earnings to each of the pool's participants. However, for the County's monies in the pool the Board of Supervisors authorized \$3,062,532 of interest earned in certain other funds to be transferred to the General Fund.

Substantially, all deposits and investments of County's primary government are included in the County Treasurer's investment pool, except for \$49,005,514 of deposits, \$1,525,499 of investments in U.S. Treasury securities, \$8,223,947 of U.S. agency securities, \$8,376,656 of mutual funds with trustee, \$9,360,503 of guaranteed investment contracts, and \$5,992,731 of other investments. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 6 – Deposits and Investments for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Reported Amount
U. S. agency securities	\$ 2,615,983,965	1.65 – 4.25%	7/05 – 3/08	\$ 2,637,367,220

A condensed statement of the investment pool's net assets and changes in net assets follows.

Statement of net assets	
Assets	\$ 2,672,804,629
Liabilities	
Net assets	<u>\$ 2,672,804,629</u>
Net assets held in trust for:	
Internal participants	\$ 822,418,268
External participants	1,850,386,361
Total net assets held in trust	<u>\$ 2,672,804,629</u>
Statement of changes in net assets	
Total additions	\$ 20,176,048,283
Total deductions	19,742,555,934
Net increase/(decrease)	<u>433,492,349</u>
Net assets held in trust:	
July 1, 2004	2,239,312,280
June 30, 2005	<u>\$ 2,672,804,629</u>

NOTE 8 – RECEIVABLES

Receivables as of year-end for the County's individual major funds and nonmajor funds in the aggregate are shown as follows. Taxes receivable does not have an allowance for uncollectible taxes, as the amount is considered immaterial. All other receivables are considered collectible. Pledged receivables represent amounts pledged from donors for the Human Services Campus.

	Governmental Funds				
	General Fund	Jail Operations Fund	Lease Revenue Fund	Other Governmental Funds	Total
Receivables:					
Taxes	\$ 9,156,301	\$ 358,771	\$ 154,498	\$ 1,921,318	\$ 11,077,619
Accrued interest	2,034,088			1,314,464	3,861,821
Special assessments				200,201	200,201
Pledged			4,860,000		4,860,000
Total receivables	<u>\$ 11,190,389</u>	<u>\$ 358,771</u>	<u>\$ 5,014,498</u>	<u>\$ 3,435,983</u>	<u>\$ 19,999,641</u>

Notes to the Financial Statements (Continued)

	Proprietary Funds				
	Maricopa Health Plan	ALTCS	Other Enterprise Funds	Internal Service Funds	Total
Receivables:					
Accounts	\$ 15,031,280	\$ 12,079,962	\$	\$	\$ 27,111,242
Accrued interest			69,277	242,850	312,127
Total receivables	<u>\$ 15,031,280</u>	<u>\$ 12,079,962</u>	<u>\$ 69,277</u>	<u>\$ 242,850</u>	<u>\$ 27,423,369</u>

Discretely presented component unit:

Receivables as of year-end for the Housing Authority, including the applicable allowances for uncollectible accounts, are shown as follows:

	Component Unit Housing Authority
Receivables, as restated:	
Accounts	\$ 1,584,560
Tenant	17,414
Notes receivable	5,065,000
Gross receivables	6,666,974
Less: allowance for uncollectibles	(12,538)
Net total receivables	<u>\$ 6,654,436</u>

In December 2001, the Housing Authority made a loan to develop apartments for low-income residents in Avondale, Arizona. As of June 30, 2005, the Housing Authority had a note receivable of \$3,000,000 with an interest rate of 5.5% of which interest is accrued until paid in full. The note receivable will be repaid in full on December 14, 2051, or when the property is sold.

In July 2003, the Housing Authority made a loan to revitalize housing units to provide housing opportunities for low-income residents. As of June 30, 2005, the Housing Authority had a note receivable of \$2,065,000 with an interest rate of 5.85% of which interest is accrued until paid in full. The note receivable will be repaid in full on May 31, 2019, or when the property is sold.

NOTE 9 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 2005, of \$190,282,099, as reported on the Governmental Funds balance sheet, include \$71,284,225, \$14,950,026 and \$16,630,413 in state-shared revenues for sales taxes, vehicle license taxes and highway user taxes, respectively; \$21,766,966 in jail tax collected by the State but not received by the County; \$912,002 in rental car surcharge collected by the State but not received by the County; \$23,393,588 in various Federal and State grants; \$3,632,968 due from other governments for prisoner detention and police services; \$12,111,542 due from cities and towns for Flood Control District and Transportation Department intergovernmental agreements; and \$201,578 in miscellaneous receivables from Federal, State and local governments.

In addition, the County reported \$25,398,791 for debt service reimbursements due from the Maricopa County Special Health Care District, a separate legal entity. The amount is reported in the Lease Revenue Fund and is deferred, as it is not considered earned and available to finance expenditures of the current period. On January 1, 2005, Maricopa County transitioned the Medical Center, a major enterprise fund, to the Maricopa County Special Health Care District. As a result of the transition, the Medical Center transferred long-term debt obligations (lease revenue bonds, certificates of participation and installment purchase agreements) to the County. The Maricopa County Special Health Care District will pay the debt obligations per the terms of an Intergovernmental Agreement which coincide with the future principal and interest payments to July 1, 2015. See Note 13 – Long-term Liabilities for additional information regarding the amounts transferred.

Notes to the Financial Statements (Continued)

NOTE 10 – INTERGOVERNMENTAL LOANS

The County reported \$340,064 as an intergovernmental loan from the Maricopa County Special Health Care District. The intergovernmental loan represents monies owed from the District to the General Fund for early extinguishment of certain debt in advance of maturity and paid semi-annually until July 1, 2010, at which time the loan will be paid in full. In prior fiscal years, this amount was reported as an advance to other funds, but was reclassified when the Medical Center was transitioned to the Maricopa County Special Health Care District. See Note 13 – Long-term Liabilities for additional information.

On June 8, 2005, the County approved a \$20,780,350 Assistance Package Intergovernmental Agreement for the Maricopa County Special Health Care District, a separate legal entity. The assistance package included restructuring the terms of a \$15 million one-year working capital line of credit to a ten-year loan with the first five years interest free and all due and payable on August 1, 2015. At June 30, 2005, the Maricopa County Special Health Care District paid the County working capital line of credit in full and the County did not recognize an intergovernmental loan. On July 1, 2005, the County provided the loan to the District and will accordingly recognize an intergovernmental loan in fiscal year 2006. The assistance package also provided for a \$5,347,350 loan to the District for AHCCCS equity requirements and miscellaneous reimbursement of expenditures of \$433,000 that will be funded by the County in fiscal year 2006. See Note 23 – Subsequent Events for additional information.

NOTE 11 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004 as restated	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Nondepreciable assets:				
Land	\$ 461,186,703	\$ 24,985,105	\$ 4,100,240	\$ 482,071,568
Construction in progress	175,557,983	126,810,887	139,024,797	163,344,073
Infrastructure	496,074,312	47,352,746	8,592,815	534,834,243
Total capital assets not being depreciated	1,132,818,998	199,148,738	151,717,852	1,180,249,884
Depreciable assets:				
Buildings and improvements	1,128,530,973	127,828,606	13,773,097	1,242,586,482
Machinery and equipment	171,847,818	29,888,521	9,896,393	191,839,946
Infrastructure	224,835,151			224,835,151
Total	1,525,213,942	157,717,127	23,669,490	1,659,261,579
Less accumulated depreciation for:				
Buildings and improvements	178,494,672	46,633,256	2,445,616	222,682,312
Machinery and equipment	114,604,798	19,917,874	8,737,009	125,785,663
Infrastructure	44,484,144	4,585,409		49,069,553
Total	337,583,614	71,136,539	11,182,625	397,537,528
Total capital assets being depreciated, net	1,187,630,328	86,580,588	12,486,865	1,261,724,051
Governmental activities capital assets, net	\$ 2,320,449,326	\$ 285,729,326	\$ 164,204,717	\$ 2,441,973,935

Notes to the Financial Statements (Continued)

	Balance July 1, 2004 as restated	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Nondepreciable assets:				
Land	\$ 2,909,679	\$	\$ 1,722,193	\$ 1,187,486
Construction in progress	8,897,465	2,006,725	10,904,190	
Total capital assets not being depreciated	11,807,144	2,006,725	12,626,383	1,187,486
Depreciable assets:				
Buildings and improvements	104,732,059	166,928	104,835,425	63,562
Machinery and equipment	95,247,859	2,273,027	84,664,454	12,856,432
Total	199,979,918	2,439,955	189,499,879	12,919,994
Less accumulated depreciation for:				
Buildings and improvements	46,857,287	2,244,812	49,038,537	63,562
Machinery and equipment	68,256,170	7,462,691	63,179,800	12,539,061
Total	115,113,457	9,707,503	112,218,337	12,602,623
Total capital assets being depreciated, net	84,866,461	(7,267,548)	77,281,542	317,371
Business-type activities capital assets, net	\$ 96,673,605	\$ (5,260,823)	\$ 89,907,925	\$ 1,504,857
Discretely presented component unit:				
Housing Authority of Maricopa County				
Nondepreciable assets:				
Land	\$ 4,830,082	\$	\$	\$ 4,830,082
Construction in progress	2,465,577	370,278	441,316	2,394,539
Total capital assets not being depreciated	7,295,659	370,278	441,316	7,224,621
Depreciable assets:				
Buildings and improvements	37,890,905	441,316		38,332,221
Machinery and equipment	505,809	95,461	24,008	577,262
Less accumulated depreciation	22,440,244	1,305,731	17,158	23,728,817
Total capital assets being depreciated, net	15,956,470	(768,954)	6,850	15,180,666
Discretely presented component unit capital assets, net	\$ 23,252,129	\$ (398,676)	\$ 448,166	\$ 22,405,287

On July 1, 2004, Maricopa County restated beginning capital assets balances for governmental activities by \$372,475,662, net of accumulated depreciation, for the retroactive reporting of Flood Control infrastructure assets for the period July 1, 1980 through June 30, 2001, as required by GASB Statement No. 34. In addition, the County restated beginning capital assets balances for prior period corrections in Transportation and Flood Control infrastructure assets in the amounts of \$45,312,455 and \$2,271,450, respectively. Furthermore, the beginning capital assets balances for the Housing Authority, a discretely presented component unit, were restated due to the elimination of prior period net capital assets of \$1,877,301. See Note 3 – Beginning Balances Restated for additional information.

On January 1, 2005, Maricopa County transitioned the Medical Center, a major enterprise fund, to the Maricopa County Special Health Care District, a separate legal entity that is not part of the County's reporting entity. As a result of this transition, certain capital assets with a net value of \$25,713,474 were transferred to governmental activities and are reported as increases. The Medical Center's remaining capital assets having a net value of \$64,194,451 were transitioned to the Maricopa County Special Health Care District. See Note 22 – Other Matters for additional information.

Notes to the Financial Statements (Continued)

Depreciation expense was charged to functions/programs as follows:

Government activities:		
General government	\$	8,480,605
Public safety		26,912,557
Highways and streets		3,121,536
Health, welfare and sanitation		1,581,590
Culture and recreation		10,844,913
Education		389,679
Internal service funds		854,708
Total governmental activities depreciation expense	\$	52,185,588
Business-type activities:		
Medical Center	\$	6,491,561
Arizona Long-Term Care System		3,164,273
Other		51,669
Total business-type activities depreciation expense	\$	9,707,503

The depreciation expense charged to governmental activities is less than accumulated depreciation increases because of assets transferred from the Medical Center Fund to the general government. These assets had existing accumulated depreciation of \$18,950,951, which is accounted for in the accumulated depreciation increases, but does not constitute current year depreciation expense.

NOTE 12 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2005, Maricopa County had the following major contractual commitments related to various capital projects. Commitments have been grouped into four major categories: Transportation Construction Projects, Flood Control Construction Projects, Construction and Maintenance of Adult and Juvenile Jail Facilities, and Construction of Various County Facilities.

Transportation Construction Projects

At June 30, 2005, the Maricopa County Transportation Department had contractual commitments of \$23,524,497 for construction of various highway projects. The related estimated cost of completion for these projects amounted to \$273,382,354. Funding for these expenditures will be provided from Highway User Fuel Tax, the primary source of revenue for the Transportation Department. These projects are accounted for in the Transportation Capital Projects Fund (nonmajor governmental fund).

Flood Control Construction Projects

At June 30, 2005, the Maricopa County Flood Control District had contractual commitments of \$19,753,048 for the construction of various flood control projects. The related estimated cost of completion for these projects amounted to \$252,868,000. Funding for these expenditures will be provided from the Flood Control District's tax levy of property within Maricopa County, the primary source of revenue for the Flood Control District. These projects are accounted for in the Flood Control Capital Projects Fund (nonmajor capital projects fund).

Construction and Maintenance of Adult and Juvenile Jail Facilities

On November 3, 1998, at the general election, the voters approved a 1/5 of one-cent sales tax to begin January 1, 1999, for the construction and maintenance of adult and juvenile jail facilities. The tax shall continue in effect until \$900 million of revenue is collected, but in no event more than nine years.

On November 5, 2002, at the general election, the voters approved an extension of the existing jail sales tax of 1/5 of one-cent for jail facilities and programs. The extended tax shall be levied beginning the month following the expiration of the previous tax as approved by the voters in 1998.

Notes to the Financial Statements (Continued)

At June 30, 2005, Maricopa County had contractual commitments of \$2,733,161 for projects in the Jail Construction Fund (nonmajor capital projects fund). The related estimated cost of completion for these projects was \$96,526,638.

Construction of Various County Facilities

At June 30, 2005, Maricopa County had contractual commitments of \$36,506,360 related to major capital projects financed by the Lease Revenue Bonds, Series 2001. The related estimated cost of completion for these projects was \$57,961,120. These projects are accounted for in the County Improvement Fund (nonmajor governmental fund). The County had additional contractual commitments of \$636,105 relating to major capital projects accounted for in the Intergovernmental Capital Projects Fund (nonmajor governmental fund) and the General Fund County Improvement Fund (nonmajor governmental fund) and funded predominantly through transfers from the General Fund. The related estimated cost of completion for these projects was \$124,196,083.

NOTE 13 – LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2005.

	Balance July 1, 2004	Additions	Reductions	Transfers in (out)	Balance June 30, 2005	Due Within One Year
Governmental activities:						
Bonds, loans, and other payables:						
General obligation bonds	\$ 20,165,000	\$	\$ 20,165,000	\$	\$	\$
Lease revenue bonds	93,569,382		7,675,306	15,207,425	101,101,501	9,308,434
Lease trust certificates		12,000,000	1,188,000		10,812,000	1,361,000
Certificates of participation				5,500,000	5,500,000	385,000
Stadium District revenue refunding bonds	55,225,000		2,490,000		52,735,000	2,685,000
Stadium District contractual obligations	6,428,888		2,000,000		4,428,888	
Special assessment debt with governmental commitment	343,102		107,644		235,458	70,126
Capital leases	10,820,105	8,384,655	5,697,127		13,507,633	6,123,397
Installment purchase agreements			197,980	1,090,234	892,254	346,052
Total bonds, loans, and other payables	186,551,477	20,384,655	39,521,057	21,797,659	\$189,212,734	\$ 20,279,009
Plus: bond premium	7,931,460		759,174		7,172,286	
Total bonds, loans, and other payables	194,482,937	20,384,655	40,280,231	21,797,659	196,385,020	20,279,009
Other liabilities:						
Claims and judgments payable	19,990,000		9,490,420		10,499,580	970,880
Reported and incurred but not reported claims	47,671,763	49,194,777	42,295,054		54,571,486	24,230,882
Total other liabilities	67,661,763	49,194,777	51,785,474		65,071,066	25,201,762
Governmental activities long-term liabilities	<u>\$ 262,144,700</u>	<u>\$ 69,579,432</u>	<u>\$ 92,065,705</u>	<u>\$ 21,797,659</u>	<u>\$261,456,086</u>	<u>\$45,480,771</u>
Business-type activities:						
Bonds and other payables:						
Lease revenue bonds	\$ 16,670,618	\$	\$ 1,419,694	\$ (15,207,425)	\$ 43,499	\$ 6,566
Certificates of participation	5,865,000		365,000	(5,500,000)		
Installment purchase agreements	1,252,049	390,884	552,699	(1,090,234)		
Advances from other funds	493,243		420,243		73,000	12,166
Total bonds and other payables	24,280,910	390,884	2,757,636	(21,797,659)	116,499	18,732
Other liabilities:						
Liability for closure and postclosure costs	10,613,494		750,505		9,862,989	332,807
Total other liabilities	10,613,494		750,505		9,862,989	332,807
Business-type activities long-term liabilities	<u>\$ 34,894,404</u>	<u>\$ 390,884</u>	<u>\$ 3,508,141</u>	<u>\$ (21,797,659)</u>	<u>\$ 9,979,488</u>	<u>\$ 351,539</u>

Notes to the Financial Statements (Continued)

On January 1, 2005, the Medical Center was transitioned to the Maricopa County Special Health Care District, a separate legal entity that is not part of the County's reporting entity. The long-term debt obligations, as previously reported in the Medical Center Fund, a major enterprise fund, which include lease revenue bonds of \$15,207,425, certificates of participation of \$5,500,000, and installment purchase agreements of \$1,090,234, were transferred to governmental activities as they are the responsibility of the County. The County will continue to pay the debt service including principal and interest when due and will be reimbursed by the Maricopa County Special Health Care District pursuant to the District's intergovernmental agreement with the County. See Note 9 – Due From Other Governmental Units and Note 22 – Other Matters for additional information.

In addition, Medical Center advances from other funds at December 31, 2004 of \$408,077 were reclassified as intergovernmental loans upon the Medical Center's transition to the Maricopa County Special Health Care District. These advances represent monies owed to the General Fund from the Medical Center for early extinguishment of certain debt in advance of maturity in fiscal year 2004. See Note 10 – Intergovernmental Loans for additional information.

Bonds, loans, and other payables were as follows at June 30, 2005:

General Obligation Bonds

General obligation bonds are direct obligations of the government. Prior to issuance, general obligation bonds have a majority vote approval from the County residents. Principal and interest are payable from secondary property taxes levied on all taxable property within the County without limitation as to rate or amount. The bonds are generally callable and the interest is payable semiannually. On July 1, 2004, the County paid in full the outstanding \$20,165,000 General Obligation Bonds debt service requirements. As of June 30, 2005, the County does not have any outstanding General Obligation Bonds.

Legal Debt Margin - County indebtedness pertaining to general obligation bonds may not exceed six percent of the value of the County's taxable property ascertained by the last assessment. However, with voter approval, the County may become indebted for an amount not to exceed fifteen percent of such taxable property. At June 30, 2005, the allowable six percent limit was \$1,804,019,200 and the fifteen percent limit \$4,510,048,001.

Lease Revenue Bonds

On June 1, 2001, the Maricopa County Public Finance Corporation issued \$124,855,000 of Lease Revenue Bonds to pay for the acquisition, construction, and equipment for the Public Service Building, Forensic Science Center, Superior Court Customer Service Center, parking garages, and related projects. Under the terms of the bond indentures, the Corporation received the proceeds to construct and purchase these assets and the County will make lease payments to extinguish the debt. Lease payments will equal the aggregate amount of principal and interest due at that date. Upon the final lease payment, the title to the assets will transfer to the County. The County's obligation to make lease payments will be subject to and dependent upon annual appropriations being made by the County. Bonds maturing on or after July 1, 2012, are subject to optional redemption in increments of \$5,000 on July 1, 2011, or any date thereafter, at par plus accrued interest to the date fixed for redemption. In the event of nonappropriation, the bonds would be subject to special redemption at par plus accrued interest to the redemption date.

On December 3, 2003, the Maricopa County Public Finance Corporation issued \$16,880,000 of Lease Revenue Refunding Bonds for the current refunding of various certificates of participation (series 2000, 1996, 1994, and 1993), capital leases, and an installment purchase contract, which were legally defeased as of June 1, 2004. The County will be obligated to make lease payments to extinguish the refunding debt when due until all lease payments under the lease have been paid. The County's obligation to make lease payments will be subject to and dependent upon annual appropriations being made by the County.

Notes to the Financial Statements (Continued)

The bonds are not subject to optional redemption prior to maturity; however, in the event of nonappropriation, the bonds would terminate and be subject to special mandatory redemption at par plus accrued interest, without premium.

The following Lease Revenue Bonds were outstanding as of June 30, 2005:

DESCRIPTION	AMOUNT OF ISSUE	INTEREST RATES	MATURITY DATES	OUTSTANDING AT JUNE 30, 2005
2001 Lease Revenue Bonds	\$ 124,855,000	3.65 – 5.50%	7-1-05/15	\$ 87,580,000
2003 Lease Revenue Refunding Bonds	16,880,000	2.50 – 4.00%	7-1-05/12	13,565,000
Total	<u>\$ 141,735,000</u>			<u>\$ 101,145,000</u>

Annual debt service requirements to maturity for the County's Lease Revenue Bonds are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Lease Revenue Bonds					
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 9,308,434	\$ 4,874,068	\$ 14,182,502	\$ 6,566	\$ 1,291	\$ 7,857
2007	9,498,024	4,434,264	13,932,288	6,976	1,021	7,997
2008	8,477,750	4,044,588	12,522,338	7,250	791	8,041
2009	8,592,477	3,671,791	12,264,268	7,524	587	8,111
2010	8,890,076	3,238,803	12,128,879	4,924	394	5,318
2011 – 15	46,069,740	9,076,726	55,146,466	10,259	319	10,578
2016	10,265,000	278,525	10,543,525			
Total	\$ 101,101,501	\$ 29,618,765	\$ 130,720,266	\$ 43,499	\$ 4,403	\$ 47,902

Lease Trust Certificates

On August 1, 2004, the County and the Maricopa County Public Finance Corporation entered into a lease purchase agreement in which the land, conveyed to the Maricopa County Public Finance Corporation by the County, and financed improvements related to the Human Services Campus will be leased to the County. On August 28, 2004, the Maricopa County Public Finance Corporation authorized the issuance of Lease Trust Certificates representing proportionate interests in semiannual lease payments for an amount not to exceed \$15,000,000 to provide financing for the construction of improvements for a Human Services Campus public health clinic. The lease purchase agreement contains a purchase option at the end of the lease term similar to a capital lease, does not constitute indebtedness of the County under the Constitutional debt limit, and does not require voter approval. The County is responsible for the principal and interest payments for the amount of the certificates issued under the lease purchase agreement.

The certificates, having a fixed rate of 4.165% with final maturities on June 1, 2012, will be issued on an as needed basis. During the year ended June 30, 2005, certificates totaling \$12,000,000 of the authorized \$15,000,000 were issued. The lease purchase agreement provides that the debt service requirements on the amount of outstanding Lease Trust Certificates be re-amortized for any additional debt issued up to the authorized amount.

As of June 30, 2005, the outstanding Lease Trust Certificates and annual debt service requirements to maturity are as follows:

Notes to the Financial Statements (Continued)

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 1,361,000	\$ 449,615
2007	1,420,000	393,625
2008	1,478,000	334,483
2009	1,539,000	272,926
2010	1,604,000	208,828
2011 – 12	3,410,000	214,492
Total	<u>\$ 10,812,000</u>	<u>\$ 1,873,969</u>

Certificates of Participation

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose.

On November 1, 2000, Maricopa County Public Finance Corporation issued \$6,975,000 of Certificates of Participation to pay for the acquisition of and improvements to the Desert Vista Hospital and medical office facilities.

The following Certificates of Participation were outstanding at June 30, 2005:

DESCRIPTION	AMOUNT OF ISSUE	INTEREST RATES	MATURITY DATES	OUTSTANDING AT JUNE 30, 2005
2000 Certificates of Participation	<u>\$ 6,975,000</u>	4.75 – 5.50%	7-1-05/15	<u>\$ 5,500,000</u>

Annual debt service requirements to maturity for certificates of participation are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	\$ 385,000	\$ 271,786
2007	400,000	253,043
2008	420,000	233,258
2009	445,000	212,170
2010	465,000	189,759
2011 – 15	2,740,000	555,147
2016	645,000	17,737
Total	<u>\$ 5,500,000</u>	<u>\$ 1,732,900</u>

Stadium District Revenue Bonds

Stadium District Revenue Bonds are special obligations of the District. The bonds are payable solely from pledged revenues, consisting of car rental surcharges levied and collected by the Stadium District pursuant to A.R.S. §48-4234. Under the statute, the Stadium District may set the surcharge at \$2.50 on each lease or rental of a motor vehicle licensed for hire, for less than one year, and designed to carry fewer than 15 passengers, regardless of whether such vehicle is licensed in the State of Arizona. The Stadium District Board of Directors initially levied a surcharge at a rate of \$1.50 beginning in January 1992 and increased the surcharge to \$2.50, the maximum amount permitted by statute, in January 1993.

Notes to the Financial Statements (Continued)

The bonds do not constitute a debt or a pledge of the faith or credit of Maricopa County, the State of Arizona, or any other political subdivision. The payment of the bonds is enforceable solely out of the pledged revenues and no owner shall have any right to compel any exercise of taxing power of the District, except for surcharges. The bonds maturing after June 1, 2013, are subject to optional redemption in increments of \$5,000 at par plus accrued interest.

The Stadium District had the following revenue bonds outstanding at June 30, 2005:

DESCRIPTION	AMOUNT OF ISSUE	INTEREST RATES	MATURITY DATES	OUTSTANDING AT JUNE 30, 2005
2002 Revenue Refunding Bonds	<u>\$ 58,225,000</u>	5 – 5.375%	6-1-06/19	<u>\$ 52,735,000</u>

Annual debt service requirements to maturity for Stadium District bonds are as follows:

Year Ending June 30	Governmental Activities	
	Stadium District Revenue Bonds	
	Principal	Interest
2006	\$ 2,685,000	\$ 2,737,592
2007	2,820,000	2,603,345
2008	2,960,000	2,462,344
2009	3,105,000	2,314,344
2010	3,260,000	2,159,094
2011 – 15	18,850,000	8,252,244
2016 – 19	<u>19,055,000</u>	<u>2,627,568</u>
TOTAL	<u>\$ 52,735,000</u>	<u>\$ 23,156,531</u>

In prior years, the Stadium District defeased senior bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2005, \$8,335,000 of bonds outstanding are considered defeased as summarized below.

Refunded in Prior Years		
Issue	Outstanding Principal	Call Date
1996 Senior Bonds	<u>\$ 8,335,000</u>	July 1, 2006

Stadium District Contractual Obligations

On February 17, 1994, the Stadium District entered into an agreement with the Arizona Diamondbacks (Team) to provide for the financing of a portion of the costs of acquisition and construction of a new major league baseball stadium. In connection with the agreement, the Stadium District committed to provide up to \$253,000,000 for the cost of the new stadium. The \$253,000,000 was funded through the use of \$238,000,000 of the special sales tax levy. Under the Facility Development Agreement for the major league baseball stadium, the Stadium District was obligated to obtain a loan in the amount not to exceed \$15 million to pay for part of the Stadium District's portion of construction costs. The Team agreed to include the Stadium District loan in its financing in order to allow the Stadium District to obtain more favorable financing terms, and the Stadium District agreed to repay the Team for this increase in the Team's borrowing. At June 30, 2005, the Stadium District had contractual commitments outstanding of \$4,428,888 with a fixed interest rate of 7.15%.

Notes to the Financial Statements

(Continued)

Annual debt service requirement to maturity for Stadium District contractual commitments are as follows:

Year Ending June 30	Governmental Activities	
	Stadium District Contractual Obligations	
	Principal	Interest
2006	\$	\$ 316,841
2007		316,841
2008		316,841
2009		316,841
2010		316,841
2011 – 15	2,222,224	1,266,251
2016 – 19	2,206,664	314,058
Total	<u>\$ 4,428,888</u>	<u>\$ 3,164,514</u>

Special Assessment Debt With Governmental Commitment

Special assessment bonds are payable from assessments collected from property owners benefited by the respective improvements. The proceeds were used to finance construction in these districts. While there is no legal obligation for the County to further secure the special assessment bonds of the districts below, the County has made a moral commitment to take steps necessary to prevent default.

Special assessment bonds currently outstanding for governmental activities are as follows:

DESCRIPTION	AMOUNT OF ISSUE	INTEREST RATES	MATURITY DATES	OUTSTANDING AT JUNE 30, 2005
Fairview Lane	\$ 59,379	9.000%	1-1-06	\$ 5,082
Fairview Lane East	60,657	9.000%	1-1-06/07	7,250
Queen Creek Water	301,960	4.875%	7-1-05/17	56,252
White Fence Farms	185,810	9.000%	1-1-06/07	24,195
104 th Place/University	83,236	9.000%	1-1-06/07	14,086
Central Avenue	301,905	9.000%	1-1-06/09	46,207
Billings Street	14,004	9.000%	1-1-06/08	2,280
Marquerite Drive	60,670	9.000%	7-1-05/11	26,053
7 th Street North	60,059	8.000%	1-1-06/14	54,053
Total	<u>\$ 1,127,680</u>			<u>\$ 235,458</u>

Annual debt service requirements to maturity for special assessment debt with governmental commitment are as follows:

Year Ending June 30	Governmental Activities	
	Special Assessment	
	Principal	Interest
2006	\$ 70,126	\$ 16,944
2007	47,385	12,509
2008	15,453	8,576
2009	32,899	7,180
2010	5,819	4,632
2011 – 15	53,323	10,525
2016 – 18	10,453	765
Total	<u>\$ 235,458</u>	<u>\$ 61,131</u>

Notes to the Financial Statements

(Continued)

Capital Leases

The County has entered into various lease-purchase agreements, which are noncancellable, for the acquisitions of the following equipment:

	Governmental Activities
Audio/Visual Systems	\$ 56,502
Computer Systems and Equipment	7,903,829
Communications Equipment	519,240
Library Bookmobile	207,720
Medical Equipment	186,793
Printing Equipment	125,290
Total Leased Capital Assets	8,999,374
Accumulated Depreciation	(2,885,830)
Net Value of Leased Capital Assets	<u>\$ 6,113,544</u>

These lease-purchase agreements require the County to pay all maintenance costs. At the time of the final principal and interest payments, title to the leased equipment transfers to the County. These leases are contingent on budgetary appropriations each fiscal year. The assets are capitalized at total principal cost.

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2005.

Year Ending June 30	Governmental Activities
2006	\$ 6,405,779
2007	5,078,806
2008	2,436,634
2009	27,195
2010	18,130
Total minimum lease payments	13,966,544
Amount representing interest	(458,911)
Present value of net minimum lease payments	<u>\$ 13,507,633</u>

The present value of net minimum lease payments at June 30, 2005, of \$13,507,633 exceeds the total of leased capital assets of \$6,113,544 because a significant portion of the assets acquired through capital leases are for computer related equipment that is below the County's capitalization threshold.

Installment Purchase Contracts Payable

The County has entered into installment purchase contracts payable for the acquisition of medical equipment at a total purchase price of \$2,382,705.

	Governmental Activities
Medical Equipment	\$ 2,382,705
Accumulated Depreciation	(1,541,760)
Net Value of Installment Purchase Capital Assets	<u>\$ 840,945</u>

The following schedule details debt service requirements to maturity for the County's installment purchase contracts payable at June 30, 2005.

Notes to the Financial Statements (Continued)

Year Ending June 30	Governmental Activities
2006	\$ 378,731
2007	358,051
2008	208,863
Total minimum payments	945,645
Amount representing interest	(53,391)
Present value of net minimum payments	<u>\$ 892,254</u>

Funding Source for Governmental Activities Liabilities

Governmental Funds Liabilities

Lease revenue bonds

Lease trust certificates

Certificates of participation

Stadium District revenue bonds

Stadium District contractual obligations

Special assessment debt with governmental commitment

Capital leases

Installment purchase agreements

Claims and judgments payable

Reported and incurred but not reported claims

Funding Source

Lease Revenue Fund

Lease Revenue Fund

Lease Revenue Fund

Stadium District Fund (nonmajor debt service fund)

Bank One Ballpark Operations Fund (nonmajor special revenue fund)

Special Assessment Fund (nonmajor debt service fund)

General Fund (96%), nonmajor special revenue funds (1%), internal service funds (3%)

Lease Revenue Fund

General Fund

Risk Management Fund and Employee Benefits Fund (internal service funds)

Conduit Debt Obligations

Maricopa County issues revenue bonds on behalf of private sector entities to provide financial assistance for projects deemed to be of public interest. Neither the principal, accrued interest or premium, if any, shall ever constitute an indebtedness of the County or State of Arizona or any political subdivision, nor shall it be a liability or a charge against the general credit or taxing powers. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2005, there were three revenue bond issues outstanding, with an aggregate principal amount payable of \$171,580,000.

Arbitrage Compliance

The County is in compliance with all Federal arbitrage regulations for tax-exempt debt securities. As of June 30, 2005, the County had no arbitrage liability.

NOTE 14 – MUNICIPAL LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The County has five landfills and three transfer stations. State and federal laws and regulations require the County to place a final cover on four of its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although one landfill and the transfer stations are exempt from these regulations, the County is performing postclosure monitoring of the sites and has included these estimated costs in the liability.

Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfills are closed. These costs will be paid from the Solid Waste Fund (nonmajor enterprise fund).

Notes to the Financial Statements (Continued)

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The landfill closure and postclosure care liability at June 30, 2005, includes the cumulative amount of \$8,446,849 reported to date based on the use of 99.8 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of the closure and postclosure care of \$177,207 as the remaining estimated capacity is filled. Additionally, in August 1992, there was a Rule of Decision issued in Federal court governing suspected groundwater contamination at the Hassayampa Landfill and the County has been determined to be 28% responsible for the cost of remedial investigation and the feasibility study which is being conducted with regulatory oversight by the U.S. Environmental Protection Agency. Beginning in fiscal year 2004, the County included this cost as part of the landfill closure and postclosure care liability in the Solid Waste Fund. In fiscal year 2005, the liability for the cost of the remedial investigation and the feasibility study for the Hassayampa Landfill was \$1,416,140. The total landfill closure and postclosure care liability of \$9,862,989 is comprised of both the \$8,446,849 for capacity of landfills used as of June 30, 2005, and the \$1,416,140 remedial investigation costs for the Hassayampa Landfill. These amounts are based on what it would cost to perform all closure and postclosure care and remedial investigation costs in fiscal year 2005; the actual costs may be higher due to inflation, changes in technology, and changes in regulations, or results of the investigational study. The County currently has only one landfill that is still accepting waste and expects to close this landfill in fiscal year 2007.

For fiscal year 2005, the County did not reassess the total estimated current cost for landfill closure and postclosure care. The County hired a consultant to review the future obligations, which is anticipated to be completed May 2007.

According to State and Federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

NOTE 15 – MUNICIPAL REVOLVING LINE OF CREDIT AND IRREVOCABLE STANDBY LETTER OF CREDIT

On July 1, 2001, the County entered into a \$35,000,000 municipal revolving line of credit with an interest rate of 65% of the bank's prime rate and a maturity date of June 30, 2005. The municipal revolving line of credit was renewed to July 1, 2006, for \$35,000,000. Outstanding principal and interest is due on June 30 of each year. During fiscal year 2005, the County had not borrowed against the line of credit.

On July 1, 2004, the County entered into an \$8,503,093 irrevocable standby letter of credit issued to the Industrial Commission of Arizona for unfunded workers' compensation claims. The irrevocable standby letter of credit matured on July 1, 2005. The letter of credit was reserved against the municipal revolving line of credit. During fiscal year 2005, the letter of credit had not been drawn upon. The irrevocable standby letter of credit was renewed to July 1, 2006, for \$8,031,435.

NOTE 16 – OPERATING LEASES

Operating Leases – The County's operating leases are for office equipment, land, and buildings. Rental expenses under the terms of these operating leases for governmental activities were \$16,594,521 for the year ended June 30, 2005. These operating leases have remaining lease terms from one to seven years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future minimum rental payments required under these operating leases as of June 30, 2005, are as follows:

Notes to the Financial Statements (Continued)

Year Ended June 30	Governmental Activities
2006	\$ 11,639,336
2007	10,610,695
2008	8,219,855
2009	6,217,815
2010	4,610,849
2011 - 12	2,969,560
Total minimum payments required	<u>\$ 44,268,110</u>

NOTE 17 – RISK MANAGEMENT

Self-Insurance

The Risk Management Fund (internal service fund) accounts for the financing of the insured risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The County carries commercial insurance for general and automobile liability in excess of \$5,000,000 per occurrence (limit \$30 million), medical malpractice liability in excess of \$5,000,000 per occurrence (limit \$25 million), and workers' compensation benefits in excess of \$1,000,000 per occurrence (limit \$25 million). Settled claims have not exceeded this commercial coverage since the inception of these insurance policies.

Liabilities for unpaid claims are estimates determined by an independent actuary using the following actuarial methods: reported loss development, paid loss development, Bornhuetter-Ferguson reported loss and paid loss, frequency times severity, case outstanding loss development, expected loss, incremental paid workers' compensation, paid allocated loss adjustment expense (ALAE) to paid loss development, and tail liability for medical malpractice. Accrued actuarial liabilities are based on a discounted 55 percent confidence level assuming a 3.0 percent annual rate of return on investments. Accrued actuarial liabilities at June 30, 2005, for each insurable area follow:

General liability	\$ 25,773,504
Automobile liability	866,527
Malpractice	13,358,614
Workers' compensation	10,044,320
Property reserve	281,302
Auto physical damage reserve	166,284
Total	<u>\$ 50,490,551</u>

Changes in the unpaid claims liability reported in the Risk Management Fund follow:

Year	Balance July 1	Current-Year Claims And Changes In Estimates	Claims Payments	Balance June 30
2002-03	\$ 41,677,379	\$ 5,907,531	\$ (6,537,139)	\$ 41,047,771
2003-04	41,047,771	8,992,628	(7,507,786)	42,532,613
2004-05	42,532,613	15,923,337	(7,965,399)	50,490,551

The Employee Benefits Trust Fund (internal service fund) accounts for the financing of the insured risk of loss for certain health benefits (pharmacy, medical, dental, short-term disability, and medical incentives) to eligible employees and their dependents.

The liability for pharmacy, medical, dental, and short-term disability claims is based on fiscal year 2005 actuarial reports. The Consumer Choice Plan portion of the liability for pharmacy is based on the unused

Notes to the Financial Statements (Continued)

portion of the members' pharmacy accounts administered by Walgreens Health Initiatives. The liability for medical incentives is based on the contract with CIGNA Healthcare (CIGNA). Accrued actuarial liabilities at June 30, 2005, for each insurable area follow:

Pharmacy	\$	692,720
Medical		2,117,000
Dental		455,000
Short-term disability		216,215
Medical incentives		600,000
Total	\$	<u>4,080,935</u>

Changes in the unpaid claims liabilities reported in the Employee Benefits Trust Fund follow:

Year	Balance July 1	Current-Year Claims And Changes In Estimates	Claims Payments	Balance June 30
2002-03	\$ 794,084	\$ 13,182,511	\$ (11,529,691)	\$ 2,446,904
2003-04	2,446,904	24,840,807	(22,148,561)	5,139,150
2004-05	5,139,150	33,271,440	(34,329,655)	4,080,935

Other Claims

The County has exposure to the following claims areas carrying no commercial insurance:

Indigent Health Care Litigation - At June 30, 2005, there were 52,785 claims pending against the County representing full-billed charges of approximately \$252 million for indigent health care. This amount is subject to a statutory discount that averages more than 50%. It is not practical to determine the anticipated outcome of the litigation and to estimate the potential losses due to the fact that the Court has not yet provided a ruling to clarify the current statutory provisions that would provide the parties with the ability to adjudicate the claims. In addition, less than ten percent of the claims have actually been reviewed for legitimacy due to the large number of claims filed and the refusal of the hospital plaintiffs to provide requested support for verification of submitted claims. To date, \$64 million in claims with individual hospitals were settled for less than \$3 million; however, the method of determining the settlement amount can vary between hospitals as each hospital has a different set of requirements for calculating and agreeing on a settlement. The Superior Court of Maricopa County has appointed a Special Master to facilitate the dispute process. In the opinion of outside legal counsel, no accrual for potential liability can be reasonably determined. A prior judgment of \$1.1 million was awarded to hospital plaintiffs in November 2002. Prejudgment interest is not included, as the amount cannot be estimated at this time.

Environmental Liability - The County has estimated and reported an environmental liability of \$10,499,580 in the government-wide financial statements for governmental activities (in claims and judgments payable). Management reports litigation, claims, and estimated remedial costs for asserted claims including environmental liabilities, discovered from the ongoing assessment of County land and facilities, which may include aquifer protection, storm water discharge, asbestos, lead paint, indoor air quality, monitoring of underground storage tanks, and the cleanup and monitoring of landfills. Current environmental liabilities pertain to the cleanup and monitoring of leaking underground storage tanks, asbestos, lead paint, and landfill costs not accounted for in the Solid Waste Fund (nonmajor enterprise fund). There is a potential incremental liability of \$29,600,420, which is contingent upon the extent to which additional environmental contamination is found pertaining to asbestos, microbial abatement, and landfill costs. Additional liabilities pertaining to landfill cleanup are reported in the Solid Waste Fund (nonmajor enterprise fund) as closure and postclosure costs.

The County also has outstanding claims of approximately \$2 million at June 30, 2005, pertaining to disputes regarding property taxes levied. No accrual has been made as a majority of the claims have been in litigation for several years and the amounts are not material to the County. In the event the County is not successful in defending these claims, the County will account for the payment of the claims

Notes to the Financial Statements (Continued)

as a reduction in the current year tax levy. The allocation of the property tax levy will be based on the levy in which the claim has arisen. In addition, the County has outstanding claims of \$9.6 million pertaining to disputes regarding easements, contracts, and condemnation of real property. No accrual has been made for these claims as they are either pending or are not material to the County.

Health Care Programs

The County operates four health care programs that are accounted for in the Maricopa Health Plan Fund, ALTCS Fund and the Non-AHCCCS Health Plans Fund to provide health care services to the programs' enrollees. The liability for medical claims payable of \$60,229,660 presented in the Statement of Net Assets for the Proprietary Funds represents the outstanding medical claims for health care services received by the programs' enrollees. The incurred but not reported portion of this liability was actuarially calculated.

NOTE 18 – EMPLOYEE RETIREMENT PLANS

Plan Descriptions

The County contributes to the four retirement plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The Public Safety Personnel Retirement System (PSPRS) (Sheriff, Investigators, and Park Rangers) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five member board, known as The Fund Manager, and the participating local boards according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 4.

The Corrections Officer Retirement Plan (CORP) is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona's Departments of Corrections and Juvenile Corrections, and county employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and the participating local boards according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 6.

The Elected Officials Retirement Plan (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 3.

Financial Reports

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS 3300 N. Central Avenue • P.O. Box 33910 • Phoenix, AZ 85067-3910 • (602) 240-2000 or (800) 621-3778
PSPRS, CORP, EORP 3010 E. Camelback Road, Suite 200 • Phoenix, AZ 85016-4416 • (602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Notes to the Financial Statements (Continued)

Cost-Sharing Plans - For the year ended June 30, 2005, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2005, 2004, and 2003 were \$26,449,682, \$29,855,413, and \$12,352,160, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of court docket fees plus additional contributions of 6 percent of the member's annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2005, 2004, and 2003 were \$3,386,006, \$3,269,129, and \$2,414,989, respectively, which were equal to the required contributions for the year.

Agent Plans - For the year ended June 30, 2005, active PSPRS (Maricopa County Sheriff) members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 10.84 percent. Active PSPRS (Maricopa County Attorney Investigators) members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 11.87 percent. Active PSPRS (Maricopa County Park Rangers) members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 8.14 percent. Active CORP members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 3.18 percent.

Annual Pension Cost - The County's pension cost for the two agent plans for the year ended June 30, 2005, and related information follows.

	PSPRS			CORP
	(Sheriff)	(Investigators)	(Park Rangers)	
Contribution rates:				
County	10.84%	11.87%	8.14%	3.18%
Plan members	7.65%	7.65%	7.65%	8.50%
Annual pension cost	\$ 3,523,430	\$ 70,444	\$ 8,907	\$ 1,700,476
Contributions made	\$ 3,523,430	\$ 70,444	\$ 8,907	\$ 1,700,476

The current-year annual required contributions for the PSPRS (Sheriff, Investigators, and Park Rangers) and CORP were determined as part of their June 30, 2003, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2003, was 20 years.

Trend Information – Annual pension cost information for the current and two preceding years for each of the agent plans follows.

Plan	Contributions Required and Contributions Made		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
Year Ended June 30, 2005			
PSPRS (Sheriff)	\$ 3,523,430	100.0%	\$ 0
PSPRS (Investigators)	70,444	100.0%	0
PSPRS (Park Rangers)	8,907	100.0%	0
CORP	1,700,476	100.0%	0

Notes to the Financial Statements (Continued)

Plan	Contributions Required and Contributions Made		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
Year Ended June 30, 2004			
PSPRS (Sheriff)	\$ 2,360,677	100.0%	\$ 0
PSPRS (Investigators)	57,649	100.0%	0
PSPRS (Park Rangers)	27,507	100.0%	0
CORP	1,220,978	100.0%	0

Plan	Contributions Required and Contributions Made		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
Year Ended June 30, 2003			
PSPRS (Sheriff)	\$ 1,186,893	100.0%	\$ 0
PSPRS (Investigators)	13,666	100.0%	0
PSPRS (Park Rangers)	82,316	100.0%	0
CORP	719,954	100.0%	0

NOTE 19 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – interfund balances at June 30, 2005, were as follows:

Payable from	Payable to		
	General Fund	Nonmajor Governmental Funds	Total Due To
Maricopa Health Plan Fund	\$ 14,324,346	\$	\$ 14,324,346
Nonmajor Governmental Funds	4,996,754	65,399	5,062,153
Nonmajor Enterprise Funds	1,017,002		1,017,002
Internal Service Funds	2,594,207		2,594,207
Total Due From	\$ 22,932,309	\$ 65,399	\$ 22,997,708

The balance due to the General Fund of \$14,324,346 from the Maricopa Health Plan Fund and \$1,017,002 from the Nonmajor Enterprise Funds resulted from cash deficits. In the following fiscal year, the County budgets cash transfers to the Maricopa Health Plan Fund and the Nonmajor Enterprise Funds for operating expenses. The remaining cash deficits were the result of timing differences from grant revenues received in the subsequent year and cash transfers that had not occurred at June 30, 2005.

Interfund transfers – interfund transfers for the year ended June 30, 2005, were as follows:

Transfers Out	Transfers In								
	General Fund	Jail Operations Fund	Lease Revenue Fund	Medical Center Fund	Maricopa Health Plan Fund	ALTCS Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds
General Fund	\$	\$ 133,176,891	\$ 2,836,508	\$ 13,600,222	\$ 5,187,415	\$ 6,902,168	\$ 3,796,279	\$ 15,273,620	\$ 7,545,007
Jail Operations Fund							47,591,538		
Lease Revenue Fund	33,008,452								
Nonmajor Governmental Funds	7,665,001		1,296,211				117,178,867		
Total Transfers In	\$ 40,673,453	\$ 133,176,891	\$ 4,132,719	\$ 13,600,222	\$ 5,187,415	\$ 6,902,168	\$ 168,566,684	\$ 15,273,620	\$ 7,545,007

Transfers of capital assets and long-term debt:

Government-wide transfer to Medical Center	21,797,659
Enterprise Fund transfer of capital assets to governmental activities	25,713,474
Internal Service Funds transfer of capital assets to governmental activities	9,608
Total Transfers Out	\$ 442,578,920

Notes to the Financial Statements (Continued)

In the fund financial statements, total transfers in of \$395,058,179 are less than transfers out of \$442,578,920 because of transfers of capital assets and long-term debt from the proprietary funds. During the year, existing capital assets with book values of \$25,713,474 and \$9,608 were transferred from the enterprise and internal service funds, respectively, to governmental activities. The enterprise and internal service funds reported transfers out for the net carrying value of the assets; however, there were no offsetting transfers in reported as these capital assets were transferred to governmental activities in the government-wide financial statements. In addition, a transfer out of \$21,797,659 was made from governmental activities to the Medical Center Fund for long-term debt transferred from the Medical Center Fund to governmental activities. See Note 22 – Other Matters for additional information.

All interfund transfers are budgeted and are used to move revenues from the fund that collects them to the fund that expends them. In addition, the General Fund transferred an operating subsidy to the Medical Center and the County health care programs.

The interfund receivables, payables, and transfers by fund are as follows:

Funds	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
MAJOR FUNDS				
General Fund	\$ 22,932,309	\$	\$ 40,673,453	\$ 188,318,110
Special Revenue Fund				
Jail Operations Fund			133,176,891	47,591,538
Debt Service Fund				
Lease Revenue Fund			4,132,719	33,008,452
Enterprise Funds				
Medical Center Fund			35,397,881	25,713,474
Maricopa Health Plan Fund		14,324,346	5,187,415	
ALTCS Fund			6,902,168	
NONMAJOR FUNDS				
Special Revenue Funds				
Accommodation Schools Fund		1,060,653		
Bank One Ballpark Operations Fund	8,809	97,900		1,010,423
Environmental Services Fund			1,130,939	
Environmental Services Grants Fund		522,687		
Flood Control Fund				53,327,784
Human Services Grants Fund		1,477,209		
Medical Examiner Grants Fund		62,523		
Parks Enhancement Fund			35,997	
Parks Souvenir Fund				35,997
Public Defender Fill the Gap Fund		254,559		
Public Defender Grants Fund		11,898		
Public Health Pharmacy Fund			26,950	
Recorder's Surcharge Fund			70,000	
Sheriff Grants Fund		341,951		
Sheriff Jail Enhancement Fund		335		
Sheriff RICO Fund		14,222		
Stadium District Fund		1,317	361,626	
Transportation Fund				61,242,098
Transportation Grants Fund		98,862		
Trip Reduction Fund		910,046		
Debt Service Funds				
Stadium District Fund				361,626
Capital Projects Funds				
Bank One Ballpark Project Reserve Fund	56,590	7,492	1,010,423	
Bond Funds		200,499		
County Improvement Fund				1,296,211
Flood Control Capital Projects Fund			53,327,784	
General Fund County Improvement Fund			1,000,000	7,735,001
Intergovernmental Capital Improvements Fund			2,769,329	1,130,939
Jail Construction Fund			47,591,538	
Transportation Capital Projects Fund			61,242,098	
Enterprise Funds				
Non-AHCCCS Health Plans Fund		1,017,002	15,273,620	

Notes to the Financial Statements (Continued)

Funds	Due From Other Funds	Due To Other Funds	Transfers In	Transfers Out
Internal Service Funds				
Employee Benefits Trust Fund			7,545,007	
Equipment Services Fund		1,884,669		
Reprographics Fund				9,608
Sheriff Warehouse Fund		709,538		
Total	<u>\$ 22,997,708</u>	<u>\$ 22,997,708</u>	<u>416,855,838</u>	<u>420,781,261</u>
Transfer of capital assets and long-term debt to/from governmental activities:				
Medical Center Fund (Enterprise Fund)			25,713,474	21,797,659
Reprographics Fund (Internal Service Fund)			9,608	
Total			<u>\$ 442,578,920</u>	<u>\$ 442,578,920</u>

NOTE 20 – DISPROPORTIONATE SHARE SETTLEMENT

Section 1923 of the Social Security Act establishes federal requirements designed to aid entities that provide medical services to a disproportionate share of medically indigent patients. These requirements were met for the fiscal year ended June 30, 2005, through disproportionate share settlements established by Laws 2004, Second Regular Session, Chapter 275 and Laws 2005, First Regular Session, Chapter 3. AHCCCS was directed to distribute such settlements based on various qualifying criteria and allocation processes. Laws 2004 and 2005 appropriated disproportionate share settlement amounts to be distributed to the hospitals for the fiscal year ended June 30, 2005. The Medical Center's share of the settlement for the year ended June 30, 2005 (including its transition to the Maricopa County Special Health Care District), totaled \$87,732,400. However, Laws 2005 also mandated the reimbursement of \$83,530,100 through the State Treasurer to the State General Fund. For the six-month period ended December 31, 2004, \$2,101,152 related to these settlements is recognized as revenue in the Maricopa Medical Center Fund.

NOTE 21 – MEDICAL CENTER FUND'S OPERATING REVENUES

Operating revenues:	
Gross patient service revenue	\$ 413,950,820
Deductions from patient service revenues:	
Contractual and administrative adjustments	(148,916,452)
Cost containment system contractual adjustments	(68,698,942)
Provision for uncollectible accounts	(41,941,975)
Net patient service revenues	<u>154,393,451</u>
Other operating revenues:	
Miscellaneous	2,145,791
Disproportionate share settlement	2,101,152
Total other operating revenues	<u>4,246,943</u>
Total operating revenues	<u>\$ 158,640,394</u>

Notes to the Financial Statements (Continued)

NOTE 22 – OTHER MATTERS

In the November 2003 general election, the voters approved the creation of the Maricopa County Special Health Care District to operate the Maricopa Integrated Health System. On January 1, 2005, the County transitioned the Medical Center, a major enterprise fund, to the Maricopa County Special Health Care District, a separate legal entity, and the Medical Center will no longer be included in the County's reporting entity. As the County will no longer be operating the Medical Center, a loss on closure of business activity of \$108,765,405 was reported as a special item on the financial statements for the fiscal year ended June 30, 2005. As a result of the transition, the Medical Center transferred to the County net capital assets of \$25,713,474 and long-term debt of \$21,797,659. See Note 11 – Capital Assets and Note 13 – Long-term Liabilities for additional information.

The net assets transferred to Maricopa County's general government were as follows:

Capital assets (net of accumulated depreciation of \$18,950,951)	\$	25,713,474
Current portion of long-term debt		(2,041,917)
Long-term debt		(19,755,742)
Net assets transferred	\$	<u>3,915,815</u>

NOTE 23 – SUBSEQUENT EVENTS

On August 29, 2005, the Maricopa County Public Finance Corporation defeased the Medical Center's portion of the Series 2001 Lease Revenue Bonds in the amount of \$10,605,000. The County contributed the cash to advance refund the bonds, which mature on July 1, 2006, through July 1, 2015; those bonds maturing on or after July 1, 2012, are callable on July 1, 2011, and are redeemable at par plus accrued interest.

On August 29, 2005, the Maricopa County Board of Supervisors approved the transfer and assignment of the Arizona Health Care Cost Containment System (AHCCCS) – Acute Health Care program to the Maricopa County Special Health Care District, a separate legal entity, effective October 1, 2005. All liabilities prior to the transfer to the District will remain with Maricopa County. Effective September 30, 2005, the Arizona Long-Term Care System (ALTCS) program was discontinued by Maricopa County and all liabilities associated with the operations will remain with Maricopa County.

On September 30, 2005, the County entered into a \$7,000,000 irrevocable standby letter of credit issued to AHCCCS for the benefit of the Maricopa County Special Health Care District, a separate legal entity, to guarantee contractual obligations. The irrevocable standby letter of credit matures on June 30, 2006. The letter of credit was reserved against the County's municipal revolving line of credit.

On September 30, 2005, the County provided a \$5,347,350 loan to the Maricopa County Special Health Care District, a separate legal entity, for AHCCCS equity requirements per the terms of the Assistance Package Intergovernmental Agreement and will be paid by the District by 2008. The assistance package also provided for the miscellaneous reimbursement of expenditures of \$433,000 due in 2015 and will be reported as an intergovernmental loan for fiscal year 2006. See Note 10 – Intergovernmental Loans for additional information.

SUMMARY OF LEGAL DOCUMENTS

The information set forth below summarizes or paraphrases certain provisions of the Lease and the Indenture, as well as certain defined terms used therein. The information set forth below does not purport to be complete, and reference is made to the full text of the Lease and the Indenture, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used herein.

DEFINITIONS

“Acquisition and Construction Fund” means the Acquisition and Construction Fund created pursuant to the Indenture.

“Additional Bonds” means bonds in addition to the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds which may be issued under the Indenture.

“Ambac Assurance” means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

“Annual Debt Service Requirement” means for any fiscal year the amount to be paid in such year with respect to the Bonds for payment of principal and interest on the Bonds during such year.

“Additional Rent” means any payments required to be made by the County in addition to the Base Rent.

“Appropriation” or *“Appropriations”* means an inclusion in the County’s final approved budget adopted by the governing body of the County of funds needed to pay the Lease Payments under the Lease for the respective Fiscal Year of the County.

“Base Rent” means the Lease Payments, corresponding to principal of and interest on the Bonds.

“Bond Payment Date” means any Principal Payment Date or Interest Payment Date.

“Bond Resolution” means (a) when used with reference to the Series 2001 Bonds, the resolution providing for their issuance and the approving of the Lease, the Indenture and related matters; (b) when used with reference to an issue of Additional Bonds, the resolution providing for the issuance of the Additional Bonds, to the extent applicable, and the approving of any amendment or supplement to the Lease, any Supplemental Indenture and related matters, and (c) when used with reference to Bonds when Additional Bonds are outstanding, the resolution providing for the issuance of the refunding bonds and the resolution providing for the issuance of the then outstanding and the then to be issued Additional Bonds, in each case as amended or supplemented from time to time.

“Bond Retirement Fund” means the Bond Retirement Fund created pursuant to the Indenture.

“Bonds” means the Series 2001 Bonds, the Series 2003 Bonds, the Series 2007 Bonds and any Additional Bonds.

“Code” means the Internal Revenue Code of 1986, as amended.

“Corporation” means The Maricopa County Public Finance Corporation, an Arizona nonprofit Corporation, or any successor thereto or assignee thereof.

“Costs of Acquisition and Construction” means all items of expense directly or indirectly relating to the cost of designing, acquiring, constructing and equipping the Improvements, including, but not limited to, the following:

(a) Costs incurred by the County in connection with the designing, acquiring, constructing and equipping of the Leased Land, the Existing Improvements and the New Improvements;

(b) Expenses incurred by the County for labor, services, materials and supplies used or furnished in the designing, acquisition, constructing and equipping of the Leased Land, the Existing Improvements and the New Improvements;

(c) Fees paid by the County for legal, design, architectural, engineering, construction management, consulting and supervisory services with respect to the Leased Land, the Existing Improvements and the New Improvements, including, without limitation, the cost of preparing or obtaining plans and specifications, working drawings, bids, appraisals, approvals, permits and inspections;

(d) Expenses incurred by the County in seeking to enforce any remedy against any contractor, subcontractor, materialman, vendor, supplier or surety in respect of any default under a contract relating to constructing and equipping the Leased Land, the Existing Improvements and the New Improvements; and

(e) Any sums required to reimburse the County for advances made by it for any of the above items, plus an amount not to exceed \$25,000,000 for amounts for other governmental projects of the County which need not be part of the Leased Property.

“Default Rate” means a rate of interest which is greater of 10% per annum or the rate of interest paid on the Bonds with respect to the applicable maturity.

“Debt Service Charges” means, for any period or time, the principal of and interest and any premium due on the Bonds for that period or payable at that time, as the case may be.

“Defeasance Obligations” means only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the Corporation or the County relating to the issuance of a series of Bonds, including but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, the Registrar, the Paying Agents, financing discounts, legal fees and charges, insurance fees and charges, including insurance fees and charges for bond insurance, and financial and other professional consultant fees, verification agent fees, Depository Trustee fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing.

“Eligible Investments” means, to the extent permitted by law:

1. Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration
- Federal Financing Bank

2. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Ambac

3. U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “P-1 by Moody’s and “A-1 or “A-1+” by S&P and maturing no more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

4. Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

5. Pre-refunded Municipal Obligations defined as follows: Any obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s and S&P or any successors thereto; or
- (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow, consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

6. Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.

7. Investment agreements approved in writing by Ambac Assurance (supported by appropriate opinions of counsel); and

8. Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

“Engineer” means an individual or firm acceptable to the County and the Corporation and qualified to practice the profession of engineering or architecture under the laws of the State and who is not a salaried employee of the County or the Corporation.

“Event of Bankruptcy” means the filing of a petition in bankruptcy by or against the specified Person under the United States Bankruptcy Code.

“Event of Non-Appropriation” means that no Appropriation has been made for the payment of Lease Payments coming due in any Fiscal Year as of the date of final adoption of the County’s budget for such Fiscal Year.

“Existing Improvements” means the improvements on the Leased Land described on Exhibit A to the Lease.

“Financial Guaranty Insurance Policy” means, as applicable, the financial guaranty insurance policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on (i) the Series 2001 Bonds, (ii) the Series 2003 Bonds or (iii) the Series 2007 Bonds.

“Fitch” means Fitch Ratings or any successor thereto.

“Fiscal Year” means the twelve calendar month period beginning on July 1 and ending on June 30 of the following calendar year or such other Fiscal Year as adopted by the County.

“Improvements” means collectively the Existing Improvements and the New Improvements.

“Interest Fund” means the Interest Fund created pursuant to the Indenture.

“Interest Payment Date” means as to the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds, January 1 and July 1 and as to Additional Bonds the dates designated in proceedings relating to the Additional Bonds.

“Lease Payment Date” means, with respect to payments relating to the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds, June 26 and December 26 of each year (or following business day if not a business day) during the term of the Lease and with respect to payments relating to the Additional Bonds, such dates set forth in the proceedings authorizing the Additional Bonds.

“Lease Payments” mean the sum of the Base Rent and Additional Rent due at a stated time.

“Lease Year” means the period from the date of execution of the Lease to June 30, 2001, and thereafter a period of 12 consecutive months commencing on the first day of July and ending on the last day of June.

“Leased Land” means the real property described in Exhibit B to the Lease.

“Leased Property” means the Leased Land and the Improvements.

“Maximum Annual Debt Service” means, at the time of computation, the greatest Annual Debt Service Requirement for the then-current or any succeeding fiscal year.

“Moody’s” means Moody’s Investors Service or any successor thereto.

“Net Proceeds” when used with respect to any insurance proceeds or eminent domain awards, means the gross proceeds thereof less the payment of all expenses, including expert witness fees, attorneys’ fees and costs, incurred in connection with the collection of those gross proceeds.

“Net Proceeds Fund” means the fund of that name created pursuant to the Indenture.

“New Improvements” means the improvements or equipment described on Exhibit A to the Lease, as amended from time to time, to be constructed on the Leased Land or otherwise required for use by the County.

“Option Price” means the amount due from the County to exercise its option to prepay the Lease in an amount corresponding to all of the Bonds or such Additional Bonds as may be set forth in the Lease.

“Outstanding Bonds,” “Bonds outstanding” or “outstanding” as applied to the Bonds, mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of this Indenture; and

(d) Bonds in lieu of which others have been authenticated under the Indenture.

“*Owner*” or “*Bond Owner*” or “*Owner of a Bond*,” or any similar term, when used with respect to a Bond means, as of any particular time, the person in whose name such Bond is then registered.

“*Paying Agent*” means any bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

“*Permitted Encumbrances*” mean as of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent; (ii) the Indenture; (iii) the Lease; (iv) utility, access and other easements and rights of way, mineral rights, restrictions, exceptions and encumbrances that will not (a) materially interfere with or impair the operations being conducted on the Leased Property or (b) materially adversely affect the security granted under the Indenture or easements granted to the Trustee; and (v) such minor defects, irregularities, encumbrances, easements, mechanics liens, rights of-way and clouds on title as, in the opinion of counsel, normally exist with respect to properties similar in character to the Leased Property for the purpose for which it was acquired or is held by the Corporation and do not (a) materially interfere with or impair the operations being conducted on the Leased Property or (b) materially adversely affect the security granted to the Trustee by the Indenture.

“*Prepayment*” means any payment applied towards the prepayment of the Lease Payments.

“*Principal Payment Date*” means as to the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds, July 1 of the years in which principal of the Bonds comes due and as to Additional Bonds the dates designated in the proceedings relating to the Additional Bonds.

“*Rating Agency*” means Moody’s, if any of the Bonds are then rated by Moody’s, S&P, if any of the Bonds are then rated by S&P and Fitch, if any of the Bonds are then rated by Fitch.

“*Rating Confirmation*” means a written confirmation from each Rating Agency that an action will not result in a reduction or withdrawal of any rating then applicable to the Bonds.

“*Registrar*” means, as to the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds, the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of this Indenture and as to any series of Additional Bonds, the bank, trust company or other Person designated as such by or pursuant to the applicable Bond Resolution or Supplemental Indenture.

“*Regular Record Date*” means, with respect to any Bond, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Bond.

“*Rental Period*” means the six-month period commencing on the first day of the month in which a Lease Payment is due and payable.

“Required Property Insurance Coverage” means insurance insuring the Leased Property against loss or damage by fire, lightning, vandalism and malicious mischief and all other perils covered by standard “extended coverage or “all risks” policies, including amounts as to which the County is a self-insurer where permitted under the Lease.

“Required Public Liability Insurance Coverage” means comprehensive general accident and public liability insurance, including amounts as to which the County is a self-insurer where permitted under the Lease.

“Reserve Fund” means the Reserve Fund created pursuant to the Indenture.

“Reserve Requirement” means the least of (a) an amount equal to ten percent (10%) of the net proceeds of the Outstanding Bonds, (b) the Maximum Annual Debt Service for any fiscal year on the Outstanding Bonds, or (c) one hundred twenty five percent (125%) of the average annual debt service on the Outstanding Bonds. The Reserve Requirement may be satisfied by cash or Eligible Investments described in paragraphs (1), (2) or (3) of the definition thereof. For purposes of calculating the Reserve Requirement, variable rate indebtedness shall be assumed to bear interest at (a) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published) plus 50 basis points, or (b) if interest is not excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points.

“Revenue Fund” means the Revenue Fund created pursuant to the Indenture.

“Revenues” means (a) the Lease Payments (other than Unassigned Corporation’s Rights) due under the Lease, as amended from time to time, (b) all other moneys received or to be received by the Corporation or the Trustee in respect of the Lease-Purchase Agreement, including without limitation, moneys and investments in the Acquisition and Construction Fund, Bond Retirement Fund, the Interest Fund and the Reserve Fund (to the extent of the Reserve Requirement), (c) all Net Proceeds received by the Trustee under any liability or casualty insurance policies or upon condemnation and (d) all income and profit from the investment of the foregoing moneys other than that which is required to be rebated to the United States in order to maintain the tax-exempt status of Tax-Exempt Bonds.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies or any successor thereto.

“Series 2001 Bond Retirement Account” means the Series 2001 Bond Retirement Account of the Bond Retirement Fund created pursuant to the Indenture.

“Series 2001 Interest Account” means the Series 2001 Interest Account of the Interest Fund created pursuant to the Indenture.

“Series 2001 Reserve Account” means the Series 2001 Reserve Account of the Reserve Fund created pursuant to the Indenture.

“Series 2001 Revenue Account” means the Series 2001 Revenue Account of the Revenue Fund created pursuant to the Indenture.

“Series 2003 Bond Retirement Account” means the Series 2003 Bond Retirement Account of the Bond Retirement Fund created pursuant to the Indenture.

“Series 2003 Interest Account” means the Series 2003 Interest Account of the Interest Fund created pursuant to the Indenture.

“Series 2003 Reserve Account” means the Series 2003 Reserve Account of the Reserve Fund created pursuant to the Indentures.

“*Series 2003 Revenue Account*” means the Series 2003 Revenue Account of the Revenue Fund created pursuant to the Indenture.

“*Series 2007 Bond Retirement Account*” means the Series 2007 Bond Retirement Account of the Bond Retirement Fund created pursuant to the Indenture.

“*Series 2007 Interest Account*” means the Series 2007 Interest Account of the Interest Fund created pursuant to the Indenture.

“*Series 2007 Reserve Account*” means the Series 2007 Reserve Account of the Reserve Fund created pursuant to the Indentures.

“*Series 2007 Revenue Account*” means the Series 2007 Revenue Account of the Revenue Fund created pursuant to the Indenture.

“*State*” means the State of Arizona.

“*Supplemental Indenture*” means any indenture supplemental to the Indenture entered into between the Corporation and the Trustee in accordance with the Indenture.

“*Taxable Bonds*” means Bonds, the interest on which is includible in gross income of the owners thereof for federal income tax purposes.

“*Tax-Exempt Bonds*” means Bonds, the interest on which is excludible from gross income of the owners thereof for federal income tax purposes.

“*Unassigned Corporation’s Rights*” means all of the rights of the Corporation to receive additional payments under certain sections of the Lease, including, but not limited the right to be held harmless and indemnified thereunder, to be reimbursed for attorneys’ fees and expenses thereunder, to receive notice thereunder and to give or withhold consent to amendments, changes, modifications and alterations of the Lease and its right to enforce such rights.

THE LEASE

Section 2. Term and Rental Payments.

(a) *Term; Appropriation.* The Corporation leases to the County and the County leases from the Corporation until June 30, 2007 all of the Corporation’s rights in and to the Leased Property, together with all improvements and fixtures thereon; provided that the Term of the Lease shall be deemed extended automatically by the County for up to twenty-four (24) successive periods of one (1) year commencing each July 1 for which an Appropriation has been or shall be made by the last date the County may adopt a budget for its then current fiscal year’s operation. Such Appropriation shall be deemed to include all moneys in the Interest Fund and the Bond Retirement Fund and any amounts in the Reserve Fund to the extent of the Reserve Requirement created by the Indenture not then needed to pay maturing principal or interest on the Bonds. References to the Term of the Lease shall include the initial and any extended terms hereunder.

If prior to the last date occurring in any year on which the County is required or permitted to adopt its budget for the then current Fiscal Year, the Board of Supervisors of the County fails to make an Appropriation for the Lease Payments for the then current Lease Year, an Event of Non-Appropriation will be deemed to have occurred and the Lease shall terminate as of the immediately preceding June 30th. Upon such termination, the County shall return the Leased Property to the Corporation and shall thereafter incur no further obligation operationally or financially to the Corporation, the Owners of the Bonds or any other party. If an Event of Non-Appropriation occurs, the County is neither required nor expected to continue to pay Lease Payments. Appropriation of funds is a legislative act that is beyond the control of the Corporation or the Trustee.

If an Appropriation is made with respect to any Fiscal Year, the obligation of the County to make the aggregate Lease Payments during each Lease Year of the term of this Lease will accrue and be deemed incurred as of the first day of such Lease Year and the Lease is specifically enforceable by the Corporation and its successors and assigns to the extent of such Appropriation.

(b) *Other Applicable Provisions.* The Lease Payments for the Leased Property for each Rental Period during the term of the Lease shall constitute the total Base Rent for such Rental Period, and shall be paid by the County in such Rental Period for and in consideration of the right to the use and occupancy of the Leased Property and the continued right to use and enjoy the Leased Property during each such period for which such rental is to be paid. The total Lease Payments for the Leased Property represent the fair rental value thereof.

The County shall receive credit against, first, Additional Rent and, second, Base Rent payments for all investment income received from any investments made by the Trustee under the terms of the Indenture except investment income used to pay arbitrage rebates to the United States of America.

All Lease Payments shall be made to the Trustee.

Section 3. Additional Rent. The County agrees to pay to the Corporation the following amounts, if and whenever applicable, as Additional Rent:

(a) On the first (1st) day of each month, commencing on the first day of the month following a payment made on the Bonds from the Reserve Fund or a determination of the Trustee that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, an amount equal to one-twelfth (1/12th) of the amount which, when added to the balance in the Reserve Fund, will be equal to the Reserve Requirement.

(b) All taxes, assessments or other governmental charges imposed on the Leased Property or imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Leased Property.

(c) All amounts coming due for indemnification.

(d) All costs incident to the Lease incurred or payable by the Corporation.

(e) All expenses incurred in connection with the enforcement by the Corporation of any rights under the Lease.

(f) All other payments of whatever nature which the County has agreed to pay or assume under the provisions of the Lease, including losses on investments made by the Trustee at the direction of the County.

(g) All of Trustee's fees and expenses incurred in connection with the performance of its duties and with the enforcement of any rights under the Lease.

(h) All rent for any holdover period during which the County stays in possession of the Leased Property after termination of the Lease.

(i) All fees and expenses of any arbitrage consultant and any arbitrage rebate owed to the United States not paid from Lease Payments.

(j) All fees and expenses of the Corporation for the costs of maintaining its corporate existence during the term hereof, including all filing costs and legal expenses.

(k) All expenses relating to compliance with the continuing disclosure undertaking of the County pursuant to SEC Rule 15c2-12.

Section 4. Utility Charges. The County shall pay all necessary utility charges.

Section 5. Use, Licenses, Taxes. The County shall use the Leased Property solely for lawful activities in which the County may engage. The County shall provide, at its expense, all permits and licenses, if any, necessary for the operation, maintenance and use of the Leased Property by the County.

The County shall be responsible for all governmental charges and taxes, but may contest the validity of any such charges or taxes.

Section 6. Maintenance. (a) the County, at its expense and during the term of the Lease, will:

- (1) Keep the Leased Property in good order and condition (ordinary wear and tear excepted).
- (2) Comply with all insurance policies relating to, and maintain any governmental licenses and permits required for, the use, maintenance, repair and operation of the Leased Property.
- (3) Pay all costs, claims, damages, fees and charges arising out of its possession, use, operation or maintenance of the Leased Property.
- (4) Promptly comply with all contractual obligations created with respect to the Leased Property.
- (5) Not do, or permit to be done, any act or thing which might materially impair the value of the Leased Property.

Neither the Corporation nor the Trustee have any responsibility for maintenance of or repairs to the Leased Property.

Section 7. Additions, Modifications, Improvements and Substitutions. The County may make from time to time any additions, modifications or improvements to the Leased Property which the County deems desirable for the purposes of the Leased Property, provided that if such additions, modifications or improvements with respect to the Leased Property shall cost \$200,000 or more in a single Lease Year, an Engineer shall render an opinion to the Trustee that (a) no such additions, modifications or improvements shall adversely affect the structural integrity or strength of any improvements constituting a part of the Leased Property or materially interfere with the use and operation of the Leased Property, and (b) the undertaking and completion of such addition, modification and improvement will not cause the value of the Leased Property to be reduced below the value of the Leased Property immediately prior to the undertaking and completion of any such addition, modification and improvement. All such additions, modifications and improvements shall become and be deemed to constitute a part of the Leased Property.

Section 8. Liens. Except for Permitted Encumbrances, the County shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, security interest, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, the title thereto, or any interest therein except the respective rights of the Corporation and the County thereunder.

Section 9. Damage to or Destruction or Condemnation of Leased Property; Prepayment. The County assumes all risk of loss of or damage to the Leased Property from any cause whatsoever, except loss or damage actually caused by the Corporation. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Leased Property will relieve the County of the obligation to make Lease Payments.

(b) Any Net Proceeds or condemnation awards in excess of \$500,000 are to be deposited to the Net Proceeds Fund under the Indenture. In case of any damage to or destruction of the Leased Property which might

exceed \$500,000, the County will promptly give or cause to be given written notice thereof to the Corporation generally describing the nature and extent of such damage or destruction. There shall be no abatement or diminution of Lease Payments and the County shall, whether or not the Net Proceeds, if any, received on account of such damage or destruction shall be sufficient for such purpose, promptly commence and complete, or cause to be commenced and completed, the repair or restoration of the Leased Property as nearly as practicable to the value, condition and character thereof existing immediately prior to such damage or destruction, with such changes or alterations, however, as the County may deem necessary for proper operation of the Leased Property. Any expenditures required hereunder in excess of the Net Proceeds shall be subject to Appropriation.

(c) In the event of total destruction or condemnation of the Leased Property, unless the County shall exercise its option to prepay (in which event the Option Price shall be adjusted so as to exclude any prepayment penalty), the County shall apply or cause to be applied amounts in the Net Proceeds Fund in accordance with the Indenture and any other moneys available and appropriated for the purpose, to the acquisition and installation of replacement facilities to constitute the Leased Property.

Should the County determine not to replace the damaged, destroyed or condemned portions of the Leased Property, the County shall, pursuant to the Indenture, direct the Trustee to transfer all amounts in the Net Proceeds Fund, up to, but not exceeding the Option Price, to the Interest Fund and the Bond Retirement Fund.

(d) In the event the amount of Net Proceeds exceeds the amount required to acquire and install replacement facilities constituting Leased Property, the County shall direct the Trustee to transfer such excess to the Interest Fund and the Bond Retirement Fund under the Indenture.

(e) The County has the power and authority to acquire the Leased Property through the exercise of the power of eminent domain. Neither the Corporation nor any person claiming through the Corporation shall be injured or damaged by the County's initiation of an action to acquire the Leased Property through the exercise of the power of eminent domain. The County represents that it has no present intention to exercise the power of eminent domain to acquire the Leased Property. Should the County ever determine to acquire the Leased Property through the exercise of its power of eminent domain is in the County's best interest, that the Corporation's value for all purposes of determining the fair market value of the Leased Property be stipulated to be the Option Price as of the initiation of such action.

Section 10. Insurance. During the term of the Lease, the County shall either maintain a program of self-insurance with respect to general accident and public liability or shall purchase and maintain Required Public Liability Insurance Coverage with respect to the Leased Property in an amount customarily maintained by the County, naming the Corporation and/or the Trustee, as appropriate, a named insured or loss payee and insuring against personal injury or property damage to others. In addition, the County shall either maintain self-insurance covering the Leased Property as provided by law or maintain during the term of the Lease, Required Property Insurance Coverage with respect to the Leased Property naming the Corporation and/or the Trustee, as appropriate, a named insured or loss payee and insuring against risks of loss or damage to the Leased Property in an amount at all times at least equal to the par amount of the Outstanding Bonds.

Insurance proceeds from casualty losses in excess of \$500,000 are to be deposited to the Net Proceeds Fund under the indenture and insurance proceeds less than \$500,000 shall be paid to the Corporation and disposed of by the Corporation, each as provided in the Lease. The County shall deliver to the Corporation or the Trustee, as applicable, evidence satisfactory to the Corporation of the insurance coverages required herein, by policies with nationally, recognized responsible insurance companies or in conjunction with other companies through an insurance trust or other arrangement together with receipts for the initial and any renewal premiums and shall provide by endorsement upon the policy or by an independent instrument furnished to the Corporation that each insurer will give the Corporation written notice of nonpayment of any premium due and forty-five (45) days' notice prior to cancellation or alteration of the policy for any reason.

Annually commencing no later than October 31, 2001 and each year thereafter, the County shall commission, at its own expense, a review (the "Review") of the County's self-insurance program. The Review shall be conducted by an actuary with recognized experience with respect to actuarial reviews of self-insurance programs and shall be completed with a reasonable period thereafter.

It shall be a condition of the County's use or continued use of self-insurance program to provide either Required Property Insurance Coverage or Required Public Liability Coverage, or both, that the County's self-insurance program be funded at the beginning of each fiscal, at a level equal to the cost to purchase insurance plus the cost to pay all losses estimated by the actuary for the following two years. The Trustee may rely on the certificate of the administrator of the self-insurance program or the chairman of the governing board of the self-insurance trust, to the effect that the self-insurance funding has reached the level or levels required by the respective Review net of known claims expected to be paid from the self-insurance program or programs, as applicable, in the County's then current Fiscal Year.

If the County cannot meet or maintain the funding level required in the applicable Review by the next January 1st after the Review's date, then the Leased Property may not be covered by self-insurance for any portion of either the Required Public Liability Coverage or the Required Property Insurance Coverage for which the self-insurance is not in compliance with the respective Review, and in such event the County shall be required to obtain insurance policies covering either Required Property Insurance Coverage or Required Public Liability Insurance Coverage, or both, as the case may be. Failure to provide the required Review, or to maintain the level of funding of the self-insurance program or programs applicable to the Leased Property, in violation of the requirements of the Lease, shall be deemed an Event of Default which can be cured by either the County's presentation of the required Review, or the required certificate of compliance with the respective Review, or both, as the case may be or by presentation to the Trustee of evidence of insurance policies meeting the coverage requirements of the Lease.

Section 11. Indemnification. To the extent permitted by law and the Constitution of the State, the County shall indemnify the Corporation and the Trustee for, from and against any and all liability and damages in connection with the Leased Property.

Section 12. Assignment of Lease; Payment of Trustee's Fees and Expenses. The Corporation shall assign all its right, title and interest in and to the Lease Payments (other than Unassigned Corporation Rights) and the rights to enforce the Lease, to the Trustee. The County agrees to pay all fees and expenses due Trustee under the Indenture.

Section 13. Representations, Warranties and Covenants. (a) The Corporation has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the leased property for any particular purpose or the conformity of the leased property to any plans, specifications, construction contract, purchase order, model or sample, or as to its design, construction, delivery, installation and operation or its suitability for use by the County.

(b) The County represents that it has power to enter into the Lease, that the Lease is a lawful, valid and binding obligation of the County, enforceable against the County in accordance with its terms (except as to those provisions which would require the expenditure of funds in any fiscal year for which such funds have not been included within the County's budget).

Section 14. Option to Purchase; Providing for Payment or Prepayment; Additional Bonds. (a) Provided the County shall have complied with all of the terms and conditions of the Lease Agreement and subject to clause (c) below, the County shall have the option to purchase not less than all of the Series 2001 Leased Property which is then subject to the Lease "as is" at the dates and for the "Option Price" set determined in accordance with the Lease. Such option shall be exercised by written notice to Trustee not less than forty-five (45) days prior to the date specified in the Lease for the exercise of such option, provided that upon the County's timely payment of the last payment due June 26, 2015 (the "Series 2001 Last Payment") specified in the Lease, the County shall without further action be deemed to have properly exercised its option to purchase the Series 2001 Leased Property for \$0.

(b) (1) At such time as full payment of the Option Price or payment of the Series 2001 Last Payment is made or the Lease with respect to the Series 2001 Bonds is deemed fully prepaid and discharged pursuant to clause (d) below, the Corporation shall execute a Special Warranty Deed to the County in the form set forth in the Lease to the Series 2001 Leased Property and the County shall cause the Deed to be recorded. The transfer of any and all of the Corporation's right, title and interest in the Series 2001 Leased Property to the County shall be "as is" and without warranty, express or implied, by the Corporation, except that the Corporation will warrant to the County that the Series 2001 Leased Property is free of all encumbrances other than Permitted Encumbrances. At such time,

the Lease shall terminate with respect to the Series 2001 Bonds except as to obligations or liabilities accruing hereunder prior to such termination and the obligation of the County to pay rebate to the Internal Revenue Service, except as to obligations and liabilities that, under the terms of the Lease, survive termination.

(2) At such time as full payment of the last payment due June 26, 2012 with respect to the Series 2003 Bonds (the "*Series 2003 Last Payment*") is made or the Lease with respect to the Series 2003 Bonds is deemed fully prepaid and discharged pursuant to clause d(2) below, the Corporation shall execute a Special Warranty Deed to the County in the form set forth in the Lease with respect to the Series 2003 Leased Property and the County shall cause the Deed to be recorded. The transfer of any and all of the Corporation's right, title and interest in the Series 2003 Leased Property to the County shall be "as is" and without warranty, express or implied, by the Corporation, except that the Corporation will warrant to the County that the Series 2003 Leased Property is free of all encumbrances other than Permitted Encumbrances. At such time, the Lease with respect to the Series 2003 Bonds shall terminate except as to obligations or liabilities accruing under the Lease prior to such termination and the obligation of the County to pay rebate to the Internal Revenue Service, except as to obligations and liabilities that, under the terms of the Lease, survive termination.

(c) (1) The County may not prepay future lease payments in full or in part prior to June 26, 2011 with respect to the Lease Payments corresponding to debt service on the Series 2001 Bonds (except with respect to prepayments from Net proceeds from destruction or condemnation of all or any part of the Leased Property or to defease the Series 2001 Bonds prior to maturity). On or after June 26, 2011, the County may fully or partially prepay lease payments with respect to the Series 2001 Bonds at any time. All prepayments must be delivered to the Trustee not less than forty-five (45) days before the date set for prepayment of all or a portion of the Series 2001 Bonds. If a prepayment is made, all accrued but unpaid interest relating to the principal amount being prepaid must also accompany such payment (if not theretofore paid). All partial prepayments of principal will be credited against principal payments coming due in the order of payment directed by the County. Prepayments must be made in any increments of principal, provided that after giving effect to such prepayment, no Series 2001 Bonds in a denomination of less than \$5,000 shall be outstanding (plus the prepayment penalty, if any).

When a partial prepayment is made, interest shall cease to accrue from the prepayment date with respect to the principal amount so prepaid.

(2) The County may not prepay future lease payments with respect to the Series 2003 Bonds except with respect to prepayments from Net Proceeds from destruction or condemnation of all or any part of the Leased Property or to payments made to defease the Series 2003 Bonds prior to maturity.

(d) The Lease shall be deemed fully prepaid and discharged with respect to one or more series of Bonds if the County shall present, or cause to be presented, to the Trustee in accordance with the defeasance provisions of the Indenture moneys and Defeasance Obligations, and such other certificates and documents required by the Trust Indenture sufficient to cause all Bonds Outstanding of such series to be deemed to be, "paid and discharged" in the manner provided in the Indenture.

(e) The Indenture provides for the issuance of Additional Bonds on a parity with the Series 2001 Bonds and that the Lease may be amended in connection therewith as provided in the Indenture to provide for, among other things, an adjustment in the Lease Payments with respect to such Additional Bonds and the Leased Property financed thereby.

Section 15. Default and the Corporation's Remedies. (a) The following are Events of Default:

(1) The County's failure to make any payment of rent or any other amount payable the Lease when due; or

(2) The County's failure to perform or observe any other covenant, condition or agreement required to be performed or observed by the County hereunder and such failure shall continue for a period of twenty (20) days after notice thereof from or the Trustee to the County; provided, however, that if the failure cannot be corrected within the applicable time period, the Corporation or Trustee will not unreasonably withhold its consent to

an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.

(b) If, by reason of force majeure, the County is unable to perform or observe any agreement, term or condition herein, other than any obligation to make Lease Payments, the County shall not be deemed in default during the continuance of such inability. However, the County shall promptly give notice to and the Trustee of the existence of any event of force majeure and shall use its best efforts to remove the effects thereof, provided that the settlement of strikes or other labor disturbances shall be entirely within the County's discretion.

For the purpose of this subsection, the term Force Majeure means, without limitation: Acts of God, strikes, lockouts or other labor disturbances, acts of public enemies, orders or restraints of any kind of the government of the United States or any of its departments, agencies, political subdivisions, courts or officials, or any civil or military authority, insurrections, civil disturbances, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, tornadoes, storms, droughts, floods, arrests, explosions, breakage, malfunction or accident to facilities, machinery, transmission pipes or canals, partial or entire failure of utilities, shortages of labor, materials, supplies or transportation.

(c) Upon the occurrence of an Event of Default, and as long as the Event of Default is continuing, the Corporation may, at its option, exercise any one or more of the following remedies:

(1) Bring any action allowed by law or equity to enforce the provisions of the Lease, remove the County from possession of the Leased Property, or for damages or any Lease Payment due or to come due under the Lease;

(2) By written notice to the County, terminate the Lease and direct the County, to (and the County agrees that it will), at the County's expense, return possession of the Leased Property to the Corporation within forty-five (45) days of receipt of such notice,

(3) Sell or lease the Leased Property for the account of the County pursuant to the terms of the Lease, holding the County liable for all applicable Lease Payments and other payments due to the effective date of such selling, leasing or subleasing and for the difference between the purchase price, rental and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease and the amounts payable during the remaining term of the Lease by the County, under the Lease;

(4) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the State or to rescind the Lease as to the Leased Property; and

(5) Foreclose the Lease if it is ever construed to be a mortgage.

(d) The County will remain liable for all Lease Payments for the remainder of the term of the Lease, for covenants and obligations thereunder.

(e) No remedy conferred on or reserved to the Corporation is intended to be exclusive of any other available remedy.

(f) If an Event of Default occurs and the Corporation or the Trustee incurs expenses, including attorneys' fees, in connection with the enforcement of or the collection of amounts due under the Lease, the County shall reimburse the Corporation and the Trustee for the expenses so incurred upon demand.

(g) No failure by the Corporation to insist upon strict performance by the County of any, provision of the Lease shall constitute a waiver of the Corporation's right to strict performance.

(h) The County shall notify, the Corporation and Trustee immediately, if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

(i) All of the County's payment obligations under the Lease are subject to Appropriation.

(j) To the extent that the Leased Property is sold pursuant to the exercise by the Corporation of its remedies any proceeds of sale remaining after payment of all claims prior in right thereto, including all amounts due with respect to the Bonds, such remaining proceeds shall be paid to the County.

(k) Notwithstanding the foregoing, so long as Ambac Assurance is not in default in its obligations under the Financial Guaranty Insurance Policy and the Series 2001 Bonds or the Series 2003 Bonds remain Outstanding, the Corporation shall provide immediate notice to Ambac Assurance of any Event of Default under the Lease and shall not waive any Event of Default without the prior written consent of Ambac Assurance, and Ambac Assurance, acting alone, shall have all rights extended to the Owners of the Series 2001 Bonds or the Series 2003 Bonds, as applicable, to pursue any remedy provided for in the Lease and the Corporation shall not pursue any remedy except with the prior written consent of Ambac Assurance.

Section 16. Termination. (a) Except in the event of full and timely payment of all Lease Payments, the County shall, upon the expiration of the term of the Lease or any earlier termination hereof surrender possession of the Leased Property to the Corporation in at least as good condition and repair as when delivered to the County, ordinary wear and tear excepted. The Leased property shall be surrendered to the Corporation, as herein required, free and clear of all liens, encumbrances and rights of others except Permitted Encumbrances. If the County fails to surrender the Leased Property to the Corporation on or before the date of termination, the County shall pay to the Corporation upon demand, as Additional Rent, for any holdover period beyond the end of the Lease Year in which termination recurs, a portion of the total unpaid rental payment for the applicable period.

(b) The obligations of the County to pay to the Corporation amounts accrued and unpaid as of the termination of the Lease as provided herein shall survive such termination and continue to be an obligation of the County until such amounts of Base and Additional Rent to be paid to and including the Last Day of the term of the Lease are paid in full.

(c) If the County elects not to extend or further extend the term of the Lease, the County shall, as of the end of the then current Lease Year, terminate the Lease and surrender and return the possession of the Leased Property to the Corporation.

Section 17. Assignment and Sublease by the County. The County shall not, without the Corporation's prior written consent, (1) assign or dispose of the Lease, the Leased Property, or any part thereof or any interest therein, (2) sublet the Leased Property or any part thereof or (3) permit the Leased Property to be used or possessed by any persons for any purpose which is not an essential public purpose of the County which the County is authorized by law to perform.

Section 19. Interest on Default. If fails to pay any part of the Lease Payments on or before the due date, the County shall pay to the Corporation interest on such delinquent payment from the due date until paid at a rate per annum equal to the Default Rate.

THE INDENTURE

Additional Bonds

Section 2.04. Issuance and Delivery of Additional Bonds.

(a) The Corporation may issue Additional Bonds from time to time for any purpose permitted in (c)(i) below.

(b) Additional Bonds shall be on a parity with the Series 2001 Bonds and any Additional Bonds thereafter issued and outstanding as to the assignment to the Trustee of the Corporation's right, title and interest in the Lease and amounts in the accounts and the funds created under the Indenture; provided, however, that nothing herein shall prevent payment of Debt Service Charges on any series of Additional Bonds from (i) being otherwise

secured and protected from sources or by property or instruments not applicable to the Series 2001 Bonds and any one or more series of Additional Bonds or (ii) not being secured or protected from sources or by property or instruments applicable to the Series 2001 Bonds or one or more series of Additional Bonds.

(c) The issuance of such Additional Bonds is subject to the following specific conditions which are hereby made conditions precedent to the issuance of such Additional Bonds:

(i) such Additional Bonds shall have been authorized to finance or refinance the cost of acquiring, constructing, reconstructing or improving buildings, equipment and other real and personal properties suitable for use by and for leasing to the County or its agencies or instrumentalities, or for refinancing or advance refunding of Bonds and the issuance thereof as shall have been determined and declared by the Corporation, by appropriate resolution, to be necessary for that purpose:

(ii) no Event of Default shall exist under the Lease or the Indenture, as any or all of them may have been supplemented,

(iii) the Bond Resolution shall require that the proceeds of the sale thereof shall be applied solely for one or more of the purposes set forth in (i) above and expenses and costs incidental thereto, including, but not limited to, the costs and expenses incident to the issuance and sale of such Additional Bonds, the costs of any insurance premium relating to insurance on such Additional Bonds and interest on such Additional Bonds during the actual period of any acquisition and construction of such facilities and for a reasonable period of time thereafter;

(iv) if the issuance of such Additional Bonds causes the Reserve Requirement to increase, then in that event, at the time of issuance of such Additional Bonds either cash or Eligible Investments described in clauses (1) or (2) of the definition thereof shall be provided to the Trustee so that the Reserve Requirement shall be satisfied;

(v) with respect to any Bonds not supported by bond insurance, Rating Confirmations; and

(vi) before the Trustee shall authenticate and deliver any Additional Bonds, the following items shall have been received by the Trustee:

A. Original executed counterparts of any amendments or supplements to the Lease and the Indenture entered into in connection with the issuance of the Additional Bonds, which are necessary or advisable, in the opinion of nationally recognized bond counsel, to provide that the Additional Bonds will be issued in compliance with the provisions of this Indenture.

B. A copy of the Bond Resolution, certified by the President or the Secretary-Treasurer.

C. A request and authorization to the Trustee on behalf of the Corporation, signed by the President, Vice President or Secretary-Treasurer, to authenticate and deliver the Additional Bonds upon payment to the Trustee of the amount specified therein, including without limitation, any accrued interest and any Reserve Requirement, which amount shall be deposited as provided in the applicable Bond Resolution or Supplemental Indenture.

D. The written opinion of counsel, who may be counsel for the Corporation, reasonably satisfactory to the Trustee, to the effect that: (1) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of this Indenture; (2) the issuance of such Additional Bonds has been duly authorized, and (3) all conditions precedent to the delivery of such Additional Bonds have been fulfilled.

E. A written opinion of nationally recognized bond counsel (who also may be the counsel to which reference is made in D above), to the effect that: (1) such Additional Bonds will

be valid and legal special obligations of the Corporation in accordance with their terms and will be secured on a parity with all other Bonds of any series at the time outstanding under the Indenture as to the assignment to the Trustee of the Corporation's right, title and interest in the Lease and amounts in the accounts and the funds specified in the Indenture and the amounts therein to provide for payment of Debt Service Charges on the Bonds and (2) the issuance of such Additional Bonds will not result in the interest on the Tax-Exempt Bonds outstanding immediately prior to that issuance becoming subject to federal income taxation.

F. ALTA title insurance policy or policies or commitments therefor with respect to the Leased Property to be acquired with proceeds of the Additional Bonds insuring the Corporation's interest therein, in a form satisfactory to the Trustee.

Terms of Bonds Generally

Section 3.04. Source of Payment of Bonds. To the extent provided in and except as otherwise permitted by the Indenture, the Bonds shall be special obligations of the Corporation and the Debt Service Charges thereon shall be payable solely from the Revenues, provided, that payment of Debt Service Charges on any series of Additional Bonds may be otherwise secured and protected from sources or by property or instruments not applicable to the Series 2001 Bonds and any one or more series of Additional Bonds. Notwithstanding anything to the contrary in the Bond Resolution, the Bonds or the Indenture, the Bonds do not and shall not represent or constitute a debt or pledge of the faith and credit of the Corporation or the taxing power of the County or of the State or of any political subdivision, municipality or other local agency thereof.

Provisions as to Funds and Payments

Section 5.01. Provisions as to Funds and Payments. The Indenture creates the following trust funds: (i) Revenue Fund, including a Series 2001 Revenue Account, a Series 2003 Revenue Account and a Series 2007 Revenue Account; (ii) Interest Fund, including a Series 2001 Interest Account, a Series 2003 Interest Account and a Series 2007 Interest Account; (iii) Bond Retirement Fund, including a Series 2001 Bond Retirement Account, a Series 2003 Bond Retirement Account and a Series 2007 Bond Retirement Account; (iv) Reserve Fund, including a Series 2001 Reserve Account, a Series 2003 Reserve Account and a Series 2007 Reserve Account; (v) Acquisition and Construction Fund; (vi) Net Proceeds Fund; and (vii) Delivery Costs Fund.

Section 5.03. Disbursements From Acquisition and Construction Fund.

The Trustee shall hold the amounts in the Acquisition and Construction Fund for the benefit of the Corporation to be used to pay the Delivery Costs and to pay the Costs of Acquisition and Construction, upon written order executed and delivered to the Trustee. Upon an Event of Default, the Trustee may transfer amounts in the Acquisition and Construction Fund to the Revenue Fund to the extent amounts in the Reserve Fund are not sufficient for such purpose.

Section 5.04. Receipt of Revenues. The Lease Payments (other than Unassigned Corporation Rights) to be paid by the County pursuant to the terms of the Lease have been assigned by the Corporation to the Trustee so that such moneys shall be paid by the County directly to the Trustee, and the Trustee shall credit such moneys to the respective accounts of the Revenue Fund. The semi-annual Lease Payments to be paid by the County pursuant to the terms of the Lease shall be deposited in the Series 2001 Revenue Account, the Series 2003 Revenue Account or the Series 2007 Revenue Account of the Revenue Fund, as applicable. If at any time the money in the Revenue Fund exceeds, in the sole opinion of the Trustee, the amount necessary for the current debt service on all of the Bonds then outstanding, including administration costs and expenses, and the County is not then in default under the Lease as amended from time to time, such excess shall constitute a credit to the County on the next succeeding installments of rent due or to become due under the Lease, as amended from time to time, in such manner as the County may direct. Notwithstanding the foregoing, if the County is required to pay Additional Rent pursuant to the provisions of the Lease, then in that event, until such time as the amount in the Reserve Fund shall equal the Reserve Requirement any excess moneys in the Revenue Fund shall, at least annually, so long as the County is not in default under the Lease, be deposited in the Reserve Fund and any earnings in the Reserve Fund shall be retained in the Reserve Fund. The aforesaid credit or transfer shall be made by the Trustee no less frequently than annually.

Section 5.05. Flow of Funds - Interest Fund Bond Retirement Fund. The Trustee shall transfer on a pro rata basis from the Series 2001 Revenue Account, the Series 2003 Revenue Account or the Series 2007 Revenue Account, as applicable, or any additional accounts therein with respect to Additional Bonds of the Revenue Fund, the following amounts at the time and in the manner hereinafter provided for, to-wit:

(a)(i) Series 2001 Interest Account of the Interest Fund: One (1) business day prior to each Interest Payment Date for the Series 2001 Bonds, the Trustee shall deposit in the Series 2001 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2001 Bonds on the next Interest Payment Date for the Series 2001 Bonds, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2001 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2001 Bonds as it shall become due and payable.

(ii) Series 2003 Interest Account of the Interest Fund: One (1) business day prior to each Interest Payment Date for the Series 2003 Bonds, the Trustee shall deposit in the Series 2003 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2003 Bonds on the next Interest Payment Date for the Series 2003 Bonds, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2003 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2003 Bonds as it shall become due and payable.

(iii) Series 2007 Interest Account of the Interest Fund: One (1) business day prior to each Interest Payment Date for the Series 2007 Bonds, the Trustee shall deposit in the Series 2007 Interest Account of the Interest Fund an amount equal to the amount of the interest becoming due and payable on the outstanding Series 2007 Bonds on the next Interest Payment Date for the Series 2007 Bonds, and each such deposit shall be made so that adequate moneys for the payment of interest will be available in such fund on each date that interest payments are to be made hereunder. Amounts in the Series 2007 Interest Account of the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series 2007 Bonds as it shall become due and payable.

(b)(i) Series 2001 Bond Retirement Account of the Bond Retirement Fund: One (1) business day prior to each Principal Payment Date for the Series 2001 Bonds, the Trustee shall deposit in the Series 2001 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2001 Bonds as set forth in Section 2.2 of the Indenture.

(ii) Series 2003 Bond Retirement Account of the Bond Retirement Fund: One (1) business day prior to each Principal Payment Date for the Series 2003 Bonds, the Trustee shall deposit in the Series 2003 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2003 Bonds as set forth in Section 2.2 of the Indenture.

(iii) Series 2007 Bond Retirement Account of the Bond Retirement Fund: One (1) business day prior to each Principal Payment Date for the Series 2007 Bonds, the Trustee shall deposit in the Series 2007 Bond Retirement Account of the Bond Retirement Fund solely for the purpose of paying the principal of the Series 2007 Bonds as set forth in Section 2.2 of the Indenture.

The respective transfers relating to accounts established for Additional Bonds shall be set forth in the Supplemental Indenture authorizing the issuance thereof.

Section 5.06. Flow of Funds - Reserve Fund. At the time of issuance of the Series 2007 Bonds, there shall be on deposit \$7,441,594.44 in the Series 2001 Reserve Account, \$1,031,500.00 in the Series 2003 Reserve Account and \$5,371,757.61 in the Series 2007 Reserve Account in the form of a surety bond provided by Ambac Assurance. In the event the amount of cash and Eligible Investments described in Sections (1) and (2) of the definition thereof is less than the Reserve Requirement, the County is required to deposit funds as Additional Rent pursuant to Section 3(a) of the Lease-Purchase Agreement. The Trustee shall transfer pro rata from the accounts of the Reserve Fund the following amounts in the manner hereinafter provided for, to-wit:

- (a) (i) Amounts in the accounts in the Reserve Fund shall be used and withdrawn pro rata solely for the purpose of paying the interest on or principal of the Bonds in the event that no other money of the Corporation is available therefor or for the retirement of all of the Bonds then outstanding.
 - (ii) If on any Lease Payment Date the amount in the accounts of the Reserve Fund exceeds the Reserve Requirement and if the Corporation is not then in default under this Indenture, the Trustee shall withdraw the amount of any such excess from such fund and shall apply such amount, on a pro rata basis, first to the Interest Accounts of the Interest Fund and second to the Bond Retirement Accounts of the Bond Retirement Fund.
 - (iii) Amounts in the respective accounts shall be reallocated July 1, 2009 and not later than every three years thereafter in accordance with the respective remaining outstanding principal amounts of each series of Bonds or in such other manner as may be directed by the County based upon an Opinion of Bond Counsel.
- (b) The County shall receive a credit towards Base Rent owed on any Lease Payment Date to the extent funds which exceed the Reserve Requirement are transferred to the Interest Fund or the Bond Retirement Fund.

Section 5.07. Investment of Funds. Substantially all amounts in any of the funds and accounts to be established by the Trustee pursuant to this Article of this Indenture shall, at the written direction of the County, so long as the County is not in default under the Lease-Purchase Agreement, be invested and reinvested by the Trustee in Eligible Investments, or if the County fails to so direct or instruct the Trustee, the Trustee shall invest and reinvest such amounts in Eligible Investments described in clause (7) of the definition thereof, provided that amounts in the Reserve Fund may only be invested in Eligible Investments described in subsection (1) and (2) of the definition thereof.

Net Proceeds

Section 6.01. Establishment of Net Proceeds Fund; Application of Net Proceeds of Insurance Proceeds or Condemnation Awards. Net Proceeds or condemnation awards of less than \$500,000 are to be retained by the County and applied to replace the Leased Property damaged or destroyed. Any Net Proceeds of condemnation awards of \$500,000 or more collected by the Corporation, Trustee or the County shall be transferred to the Trustee and deposited by the Trustee in a special fund designated as the "Net Proceeds Fund" to be applied and disbursed by the Trustee. The Trustee shall pay from the Net Proceeds Fund the costs of repairing or replacing the portion of the Leased Property lost, stolen, condemned or destroyed, upon receipt of a written request for payment signed by the County Representative, naming the payee (which may be the County) and the amount to be paid and certifying that the County is repairing or replacing the portion of the Leased Property lost, stolen, condemned or destroyed, that the amount to be paid is a cost thereof and that it has not previously been paid by the Trustee. The Trustee shall make such payment within three (3) Business Days of receipt of the request. In the event of total damage, destruction and condemnation of all or a portion of the Leased Property and the County does not elect to repair or replace such portion of the Leased Property, the County shall notify the Trustee of such election, the Net Proceeds or other insurance or condemnation proceeds shall be transferred, pro rata, to the Interest Accounts of the Interest Fund and the Bond Retirement Accounts of the Bond Fund and applied to the next Lease Payments to come due or used to redeem Bonds in advance of their due date in accordance with the special mandatory redemption provisions of the Indenture.

The Trustee, Registrar and Paying Agents

Section 7.01. Trustee's Acceptance and Responsibilities.

- (a) The Trustee accepts the trusts imposed upon it by the Indenture and shall observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Owners agree.

(b) Prior to the occurrence of a default or an Event of Default of which the Trustee has been notified or of which by that paragraph the Trustee is deemed to have notice, and after the cure or waiver of all defaults or Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in the Indenture and no duties or obligations shall be implied to the Trustee and

(ii) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein.

(c) In case a default or an Event of Default has occurred and is continuing (of which the Trustee has been notified, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by the Indenture and shall use the same degree of care and skill in its exercise as a corporate trustee would exercise or use under the circumstances in the conduct of its trust business.

(d) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that,

(i) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was negligent in ascertaining the pertinent facts,

(ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of a series of the Bonds then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture, and

(iii) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 7.04. Intervention by Trustee. The Trustee may intervene on behalf of the Owners, and shall intervene if requested to do so in writing by the Owners of at least twenty-five percent (25%) of the aggregate principal amount of a series of Bonds then outstanding, in any judicial proceeding to which the Corporation or the County is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction.

Section 7.07. Resignation by the Trustee. The Trustee may resign at any time from the trusts created under the Indenture by giving written notice of the resignation to the Corporation, the County, the Registrar, any Paying Agents, Ambac Assurance, and the Original Purchaser of each series of Bonds then outstanding, by mailing written notice of the resignation to such parties and to the Owners as their names and addresses appear on the Register at the close of business fifteen days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee which appointment shall require the consent of Ambac Assurance.

Section 7.08. Removal of the Trustee. (a) The Trustee may, with the consent of Ambac Assurance, be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Corporation (except when the Corporation is removing the Trustee), the County, the Registrar, any Paying Agents, and signed by or on behalf of the Corporation or by the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding.

(b) The Trustee also may be removed, with the consent of Ambac Assurance, at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by a court of competent

jurisdiction upon the application of the Corporation or the Owners of not less than twenty percent (20%) in aggregate principal amount of the Bonds then outstanding under this Indenture.

Default Provisions and Remedies of Trustee and Owners

Section 8.01. Defaults; Events of Default. (a) The following constitutes an Event of Default under the Indenture:

(i) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;

(ii) Payment of the principal of or any premium on any Bond shall not be made when and as that principal or premium shall become due and payable, whether at stated maturity, by redemption, or otherwise;

(iii) Failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of thirty (30) days after written notice of such failure, by registered or certified mail, shall have been given to the Corporation and the County, requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of Owners of not less than twenty five percent (25%) in aggregate principal amount of any series of Bonds then outstanding;

(iv) The occurrence and continuance of any default as defined in the Lease;

(v) The occurrence of an Event of Bankruptcy as to the County or the Corporation or the County or the Corporation shall: (A) commence a proceeding under any federal or state insolvency, reorganization or similar law, or have such a proceeding commenced against them and either have an order of insolvency or reorganization entered against them or have the proceeding remain undismissed and unstayed for ninety (90) days; or (B) have a receiver, conservator, liquidator or trustee appointed for them or for the whole or any substantial part of their property. The declaration of an Event of Default under this subsection and the exercise of remedies upon any such declaration shall be subject to any applicable limitations of federal or State law affecting or precluding such declaration or exercise during the pendency of or immediately following an, liquidation or reorganization proceedings.

Section 8.02. Notice of Default. If an Event of Default shall occur, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Corporation, the County, the Registrar or any Paying Agent, for each series of the Bonds then outstanding, if any, affected thereby, and the Original Purchaser of each series of Bonds, within five (5) days after the Trustee has notice of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to this Indenture the Trustee shall give written notice thereof, promptly after the Trustee's receipt of notice of its occurrence, to the Owners of all Bonds then outstanding as shown by the Register at the close of business fifteen (15) days prior to the mailing of that notice; provided that, except in the case of a default in the payment of the principal of or any premium or interest on any Bond or the occurrence of an Event of Bankruptcy as to the Corporation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Owners is in the interests of the Owners.

Section 8.03. Remedies; Rights of Owners.

(a) Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of Debt Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Lease or any other instrument providing security, directly or indirectly, for the Bonds (including the right to direct the Corporation to transfer title to the Leased Property to

the Trustee). Pursuant to the Indenture, the Bonds are subject to special mandatory redemption upon the occurrence of an Event of Default.

(b) If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of each series of Bonds outstanding affected thereby, the Trustee shall exercise any rights and powers conferred by this Section.

(c) No remedy conferred upon or reserved to the Trustee (or the Owners) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee, or to the Owners or now or hereafter existing.

(d) No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

(e) No waiver of any default or Event of Default hereunder, whether by the Trustee, any or by the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

(f) As the assignee of all right, title and interest of the Corporation in and to the Lease (except for the Unassigned Corporation's Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Corporation under the Lease.

Section 8.04. Right of Owners to Direct Proceedings. The Owners of a majority in aggregate principal amount of each series of Bonds then outstanding shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture.

Section 8.05. Application of Moneys. (a) After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys pursuant to any right given or action taken under the Indenture or the Lease, all moneys received by the Trustee for deposit into the Revenue Fund and the Reserve Fund shall be applied as follows:

First - To the payment to the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

Second - To the payment to the Owners entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), whether at stated maturity, by redemption or pursuant to any mandatory redemption requirements, in the order of their due dates (or redemption dates), beginning with the earliest due date (or redemption date), with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Owners entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

Section 8.07. Rights and Remedies of Owners. An Owner shall not have any right to institute any suit, action or proceeding for the enforcement of this Indenture, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, unless:

- (i) there has occurred and is continuing an Event of Default of which the Trustee has been notified, or of which it is deemed to have notice;
 - (ii) the Owners of at least twenty-five percent (25%) in aggregate principal amount of a series of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted to it or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee; and
 - (iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.
- (a) At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

Section 8.10. Consent of Ambac Assurance. Notwithstanding any provision in the Indenture or Lease to the contrary, as long as the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds are outstanding pursuant to Section 10.03 of the Indenture, the Financial Guaranty Insurance Policy is in effect and Ambac Assurance is not in default in its obligations thereunder:

- (a) Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds or the Trustee for the benefit of the Owners of the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds under the Indenture or the Lease;
- (b) Any reorganization or liquidation plan with respect to the Corporation must be acceptable to Ambac Assurance and in the event of any reorganization or liquidation. Ambac Assurance shall have the right to vote on behalf of all Owners of Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds which are insured by Ambac Assurance;
- (c) Any provision of the Indenture or the Lease expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance thereunder without the prior written consent of Ambac Assurance;
- (d) The prior consent of Ambac Assurance shall be required for the execution and delivery of any supplement, amendment or change to the Indenture or Lease or for any other action which requires the consent of the Owners of the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds;
- (e) Ambac Assurance shall have the right to consent to any amendment to the Indenture (other than pursuant to Section 9.03 (a)(i) or (ii) thereof) or the Lease on behalf of the Owners of the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds; and
- (f) No consent of Ambac Assurance shall be required for any action upon payment in full of the Series 2001 Bonds, the Series 2003 Bonds and the Series 2007 Bonds under Section 10.03 of the Indenture or in the event Ambac Assurance shall be in default in its obligations under the Financial Guaranty Insurance Policy.

Supplemental Indentures

Section 9.02. Supplemental Indentures Not Requiring Consent of Owners. Without the consent of, or notice to, any of the Owners, the Corporation and the Trustee may enter into indentures supplemental to the Indenture which shall not, in the opinion of the Corporation and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Owners or the Trustee;
- (c) to assign additional revenues under the Indenture;
- (d) to accept additional security and instruments and documents of further assurance with respect to the Bonds and to release all or any portion of the Leased Property from the provisions of the Lease and the lien of the Indenture in accordance with the provisions of the Lease;
- (e) to add to the covenants, agreements and obligations of the Corporation under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Owners, or to surrender or limit any right, power or authority reserved to or conferred upon the Corporation in this Indenture, including without limitation, the limitation of rights of redemption so that in certain instances Bonds of different series will be redeemed in some prescribed relationship to one another for the protection of the Owners of a particular series of Bonds;
- (f) to evidence any succession to the Corporation and the assumption by its successor of the covenants, agreements and obligations of the Corporation under the Indenture, the Lease and the Bonds;
- (g) to make necessary or advisable amendments or additions in connection with the issuance of Additional Bonds as do not adversely affect the interests of Owners of outstanding Bonds;
- (h) to permit the Trustee to comply with any obligations imposed upon it by law;
- (i) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Paying Agents;
- (j) to achieve compliance of the Indenture with any applicable federal securities or tax law;
- (k) with the consent of Ambac Assurance, to facilitate the substitution of an insurance policy, surety bond or letter of credit, the provider of which has unsecured obligations in one of the two highest rating categories of each Rating Agency, in satisfaction of the Reserve Requirement; and
- (l) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners.

Section 9.03. Supplemental Indentures Requiring Consent of Owners. (a) Exclusive of Supplemental Indentures described above and subject to the terms, provisions and limitations described below, and not otherwise, with the consent of the Owners of not less than a majority in aggregate principal amount of each affected series of Bonds at the time outstanding, the Corporation and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Owners. Nothing in the Indenture shall permit:

- (i) without the consent of the Owner of each Bond so affected, (A) an extension of the maturity of the principal of or the interest on any Bond, (B) a reduction in the principal amount of any Bond or the rate of interest or premium thereon, or (C) a reduction in the amount or extension of the time of payment of any mandatory redemption requirements, or
- (ii) without the consent of the Owners of all Bonds then outstanding, (A) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (B) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

Defeasance

Section 10.01. Release of Indenture. If (i) the Corporation shall pay all of the outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Owners of the outstanding Bonds, all Debt Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indenture or under the Lease, then the Indenture shall cease, determine and become null and void and the covenants, agreements and obligations of the Corporation under the Indenture shall be released, discharged and satisfied. Amounts on deposit in the Reserve Fund may only be considered available for the defeasance of all Bonds at the specific direction of the County.

Section 10.02. Payment and Discharge of Bonds. (a) All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture if:

(i) the Trustee as paying agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(ii) the Trustee shall have received, in trust for and irrevocably committed thereto, Defeasance Obligations which are certified by an independent public accounting firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (i) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed,

for the payment of all Debt Service Charges on those Bonds, at their maturity or redemption rates, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all Debt Service Charges thereon to the date of the tender of payment; provided, that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice.

Section 10.03. Survival of Certain Provisions. Notwithstanding the foregoing, any provisions of the Bond Resolution and the Indenture which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust and the duties of the Trustee, the Registrar and the Paying Agents, the payment or reimbursement for fees, charges and advances owed to, Trustee, the Registrar and the Paying Agents in connection with all the foregoing, and indemnities to the Trustee, the Registrar and the Paying Agents shall remain in effect and be binding upon the Trustee, the Registrar, the Paying Agents and the Owners notwithstanding the release and discharge of the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event the principal of and/or interest on the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds shall be paid by Ambac Assurance pursuant to the Financial Guaranty Insurance Policy, the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds so paid shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Corporation to the Owners of the Series 2001 Bonds, the Series 2003 Bonds or the Series 2007 Bonds shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such Owners.

The Corporation

Section 11.07. Authority of Corporation. (a) The Corporation covenants that it is, at the date of the execution and delivery of this Indenture, or will be, possessed of the trust estate, that the Lease is, at the date of the delivery of this Indenture, a valid and subsisting agreement for the leasing to the County the Leased Property, that the Lease was lawfully made by the County and the Corporation, that the covenants contained in the Lease are

binding, that the Corporation has good right, full power and lawful authority to grant, bargain and assign, and to transfer in trust, convey and pledge the trust estate in the manner and form herein provided, and that the Corporation forever will warrant and defend the title to the same to the Trustee against the claims of all persons whomsoever, subject to rights of the County referred to herein-above.

(b) The Corporation further covenants that it will not, without a Rating Confirmation with respect to Bonds that are not supported by bond insurance, and the written consent of the Trustee and Ambac Assurance, alter, modify or cancel, or agree or consent to alter, modify or cancel the Lease-Purchase Agreement or any other agreements heretofore or hereafter entered into by the Corporation which relate to or affect the security of the Bonds issued hereunder other than upon defeasance of the Bonds in accordance with Article X hereof. With the written consent of the Trustee, the Corporation may consent to alterations and modifications thereof, provided that no such alterations or modifications will decrease the amounts available for payment of the Bonds or will render the income of the Corporation or the interest on the Tax-Exempt Bonds taxable to the recipient, and provided further that prior to giving its consent with respect to an alteration or modification of the Lease-Purchase Agreement the Trustee shall obtain an opinion of counsel or financial consultant selected by the Trustee that the proposed alteration or modification will not be materially adverse to the interests of the owners of the Bonds, will not decrease the amounts available for payment of the Bonds and will not render the income of the Corporation or the interest on the Tax-Exempt Bonds taxable under the income tax laws of the United States of America. Additional Bonds or other obligations secured by Revenues shall not be deemed to have decreased the amounts available for payment of the Bonds, nor shall agreements supplemental to or independent of the Lease-Purchase Agreement, under which such Additional Bonds or obligations are to be issued, be deemed alterations or modifications of the Lease-Purchase Agreement so as to require consent of the Trustee. The Corporation further covenants that it will comply with all the terms and provisions of said documents, and that it will not engage in any activities or take any action which might result in the income of the Corporation becoming taxable to it, or any interest payment on the Tax-Exempt Bonds becoming taxable to the recipient thereof, under the income tax laws of the United States.

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BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking law, a "banking organization" within the meaning of the New York Banking law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities Bonds. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are due to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an omnibus Proxy to the Trustee as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of, and interest on the Bonds and redemption proceeds, will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bonds on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Corporation or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants. NO ASSURANCE IS GIVEN BY THE COUNTY OR THE CORPORATION THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS. NEITHER THE COUNTY NOR THE CORPORATION IS RESPONSIBLE OR LIABLE FOR PAYMENTS OR FAILURES TO PAY BY DTC OR DTC PARTICIPANTS OR FOR SENDING TRANSACTION STATEMENTS OR FOR MAINTAINING, SUPERVISING OR REVIEWING RECORDS MAINTAINED BY DTC OR DTC PARTICIPANTS.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee, the Corporation or the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The foregoing description of the procedures and recordkeeping with respect to beneficial ownership interest in the SeBonds, payment of principal and interest with respect to the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of the beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and Beneficial Owners are based solely on the Corporation's understanding of such procedures and recordkeeping, which is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

FORM OF APPROVING OPINION OF BOND COUNSEL

May 23, 2007

To: Maricopa County, Arizona
Phoenix, Arizona

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Maricopa County Public Finance Corporation (the "Corporation") of \$108,100,000 aggregate principal amount of its Lease Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), and \$32,840,000 aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2007B (the "Series 2007B Bonds" and, together with the Series 2007A Bonds, the "Series 2007 Bonds"), dated as of the date hereof. The Series 2007 Bonds are issued under a Trust Indenture, dated as of June 1, 2001, as supplemented, including as supplemented by a Series 2007 Supplement, to Trust Indenture, dated as of May 1, 2007 (collectively, the "Trust Indenture"), between the Corporation and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), and relating to a Series 2001 Lease-Purchase Agreement, dated as of June 1, 2001, as supplemented, including as supplemented by a Series 2007 Amendment to Series 2001 Lease-Purchase Agreement, dated as of May 1, 2007 (collectively, the "Lease-Purchase Agreement"), between the Corporation and Maricopa County, Arizona (the "County"), and assigned by the Corporation to the Trustee by the Trust Indenture. The documents in the Transcript examined include executed counterparts or certified copies of the Trust Indenture and the Lease-Purchase Agreement. All capitalized terms not defined herein shall have the meanings set forth in the Trust Indenture. We have also examined a conformed copy of a Series 2007A Bond and a Series 2007B Bond.

Based on this examination, we are of the opinion that, under existing law:

1. The Trust Indenture, the Lease-Purchase Agreement and the Series 2007 Bonds are valid, legal, binding and enforceable in accordance with their respective terms, subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Series 2007 Bonds constitute special, limited obligations of the Corporation, and the principal of, premium, if any, and interest (collectively, "debt service") on the Series 2007 Bonds, together with debt service on any additional bonds that may subsequently be issued under the Trust Indenture on a parity with the Series 2007 Bonds, unless paid from other sources, are payable from and secured solely by those monies and other property pledged and assigned for that purpose under the Trust Indenture. The Series 2007 Bonds and the payment of debt service on the Series 2007 Bonds are not secured by an obligation or pledge of any monies raised by taxation, and the Series 2007 Bonds do not represent or constitute a general obligation or a pledge of the full faith and credit of the Corporation, the County, the State of Arizona or any political subdivision thereof. The payments to be made by the County under the Lease-Purchase Agreement are subject to annual budgeting and appropriation by the County. The term of the Lease-Purchase Agreement is through the end of the current fiscal year of the County subject to extension for additional one year terms if and when the County's final approved budget for an additional fiscal year includes an Appropriation for the Lease Payment to be made by the County for that fiscal year. The Trust Indenture creates a valid pledge and assignment of the monies and property interests that it purports to create.
3. The interest on the Series 2007 Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Series 2007 Bonds is exempt from Arizona state income tax so long as that interest is excluded from gross income for federal income tax purposes. We express no opinion as to any other tax consequences regarding the Series 2007 Bonds. We also express no opinion as to the treatment for federal income tax purposes or Arizona state income tax purposes of amounts paid to the owners of the Series 2007 Bonds in the event of termination of the Lease-Purchase Agreement due to lack of an Appropriation.

In giving the foregoing opinions, we have assumed and relied upon compliance with the covenants of the Corporation and the County and the accuracy, which we have not independently verified, of representations and certifications of the Corporation and the County, all as contained in the Transcript. The accuracy of those representations and certifications, and the compliance by the Corporation and the County with those covenants, may be necessary for the interest on the Series 2007 Bonds to be and to remain excludable from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Series 2007 Bonds could cause interest to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2007 Bonds.

Under the Code, portions of the interest earned on the Series 2007 Bonds by certain corporations may be subject to a corporate alternative minimum tax and interest on the Series 2007 Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

We express no opinion as to the Statement of Insurance on the Series 2007 Bonds referring to the financial guaranty insurance policy relating to the Series 2007 Bonds issued by Ambac Assurance Corporation or as to the insurance referred to in that statement.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE UNDERTAKING

MARICOPA COUNTY PUBLIC FINANCE CORPORATION

\$108,100,000
LEASE REVENUE BONDS
SERIES 2007A

\$32,840,000
LEASE REVENUE REFUNDING BONDS
SERIES 2007B

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by Maricopa County, Arizona (the “County”) in connection with the issuance and sale of the \$108,100,000 aggregate principal amount of Maricopa County Public Finance Corporation Lease Revenue Bonds, Series 2007A, and the \$32,840,000 aggregate principal amount of Maricopa County Public Finance Corporation Lease Revenue Refunding Bonds, Series 2007B (collectively, the “Series 2007 Bonds”). The Series 2007 Bonds are being issued by the Maricopa County Public Finance Corporation (the “Corporation”) pursuant to a Trust Indenture, dated as of June 1, 2001, as supplemented, including as supplemented by a Series 2007 Supplement to Trust Indenture, dated as of May 1, 2007 (collectively, the “Indenture”), between The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), and the Corporation.

In connection with the Series 2007 Bonds, the County covenants and agrees as follows:

1. Purpose of this Undertaking. This Undertaking is executed and delivered by the County as of the date set forth below, for the benefit of the beneficial owners of the Series 2007 Bonds and in order to assist the Underwriters in complying with the requirements of the Rule (as defined below).

2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Information Disclosure*” means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the County prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the County and which has filed with the County a written acceptance of such designation, and such agent’s successors and assigns.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the Events with respect to the Series 2007 Bonds set forth in Exhibit II that is material, as materiality is interpreted under the Exchange Act.

“MSRB” means the Municipal Securities Rulemaking Board.

“NRMSIRs” means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
Email: munis@bloomberg.com
Website: <http://www.bloomberg.com/markets/rates/municontracts.html>

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com
Website: <http://www.dpcdata.com>

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com
Website: www.disclosuredirectory.standardandpoors.com/

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
E-Mail: nrmsir@interactivedata.com
Website: <http://www.interactivedata-prd.com>

The names and addresses of all current NRMSIRs should be verified each time information is delivered pursuant to this Undertaking.

“Rule” means Rule 15c-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“Lease” means the Series 2001 Lease-Purchase Agreement, dated as of June 1, 2001 between the Corporation, as lessor, and the County, as lessee, as supplemented and amended.

“SID” means any public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement, no SID exists within the State. The name and address of the SID, if any, should be verified each time information is delivered pursuant to this Agreement.

“State” means the State of Arizona.

“Undertaking” means the obligations of the County pursuant to Sections 4, 5, 6 and 7 hereof.

3. CUSIP Number/Final Official Statement. The base CUSIP Number of the Series 2007 Bonds is 566877. The final Official Statement relating to the Series 2007 Bonds is dated May 8, 2007 (the "Final Official Statement").

4. Annual Information Disclosure. Subject to Section 9 of this Undertaking, the County shall disseminate its Annual Information and its Audited Financial Statement, if any (in the form and by the dates set forth in Exhibit I), to all NRMSIRs and to the SID, if any. The County is required to deliver such information in such manner and by such time so that such entities receive the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the County will disseminate a statement to such effect as part of its Annual Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Material Events Disclosure. Subject to Section 9 of this Undertaking, the County hereby covenants that it will disseminate in a timely manner notice of occurrence of a Material Event to each NRMSIR, or to the MSRB and to the SID, if any.

6. Duty to Update NRMSIRs/SID. The County shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. Consequences of Failure of the County to Provide Information. The County shall give notice in a timely manner to each NRMSIR, or to the MSRB and to the SID, if any, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the County to comply with any provision of this Undertaking, the beneficial owner of any Certificate may seek mandamus or specific performance by court order, to cause the County to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an Event of Default on the Series 2007 Bonds or under the Indenture or the Lease. The sole remedy under this Undertaking in the event of any failure of the County to comply with this Undertaking shall be an action to compel performance.

8. Amendments; Waiver. Notwithstanding any provision of this Agreement, the County by certified resolutions authorizing each amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Series 2007 Bonds, as determined by an independent counsel or other entity unaffiliated with the County or the County Prosecutor's Office.

9. Non-Appropriation. The performance by the County of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a

failure by the County to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the County covenants to provide prompt notice of such fact to each NRMSIR and the SID.

10. Termination of Undertaking. The Undertaking of the County shall be terminated hereunder if the County shall no longer have liability for any obligation or relating to repayment of the Series 2007 Bonds under the Indenture. The County shall give notice in a timely manner if this Section is applicable to each NRMSIR, or to the MSRB, and to the SID, if any.

11. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

12. Additional Information. Nothing in this Undertaking shall be deemed to prevent the County from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the County chooses to include any information from any document or notice of occurrence of Material Event in addition to that which is specifically required by this Undertaking, the County shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Material Event.

13. Beneficiaries. This Undertaking has been executed in order to assist the Underwriters in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the County, the Dissemination Agent, if any, and the beneficial owners of the Series 2007 Bonds, and shall create no rights in any other person or entity.

14. Recordkeeping. The County shall maintain records of all Annual Information Disclosure and notices of occurrence of Material Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

15. Assignment. The County shall not transfer its obligations under the Lease which obligates the County to make the Lease payments securing the Series 2007 Bonds unless the transferee agrees to assume all obligations of the County under this Undertaking or to execute an Undertaking under the Rule.

Simultaneously with any dissemination under Sections 4, 5, 9 or 11 hereunder, the County shall send written notice to the Trustee describing (or containing a copy of) the information so filed under such sections.

16. Governing Law. This Undertaking shall be governed by the laws of the State.

MARICOPA COUNTY

By: _____
Tom Manos
Chief Financial Officer

Date: _____

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means the information and operating data of the type contained under the headings “THE COUNTY’S GENERAL FUND” and “APPENDIX B - Maricopa County, Arizona Financial Data.”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to each NRMSIR and to the SID, if any, or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from each NRMSIR, the SID or the Commission. The County shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, no later than February 1 in each year commencing February 1, 2008. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements when available.

Audited Financial Statements will be prepared according to GAAP, as applied to governmental units as modified by State law. Audited Financial Statements will be provided to each NRMSIR and to the SID, if any, within 30 days after availability to the County.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the County will disseminate a notice of such change as required by Section 4, including changes in Fiscal Year or GAAP.

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE OF MATERIAL EVENTS IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

NOTICE INVITING PROPOSALS FOR THE PURCHASE OF
\$108,100,000
MARICOPA COUNTY PUBLIC FINANCE CORPORATION
LEASE REVENUE BONDS
SERIES 2007A

NOTICE IS HEREBY GIVEN that the Maricopa County Public Finance Corporation (the "Corporation") will receive proposals via PARITY® (PARITY) up to and including the hour of 9:00 A.M., Pacific Daylight Time (P.D.T.), on May 8, 2007, for the purchase of all, but not less than all, of \$108,100,000 aggregate principal amount of Lease Revenue Bonds, Series 2007A (the "2007A Bonds"), unless the Chief Finance Officer of Maricopa County, Arizona (the "County") or his designee postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by 11:00 A.M., P.D.T. on the business day preceding the scheduled sale date. If the date for receipt of bids is postponed, the County will give notice of the postponement by PARITY at *i-Deal.com*. Submission of bids is further discussed below. The Chief Finance Officer of the County will consider the bids received and award the 2007A Bonds to the bidder offering the best bid or will reject all bids.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 9:00 A.M., P.D.T. on May 8, 2007. The time maintained by PARITY shall constitute the official time.

ADJUSTMENT OF PRINCIPAL AMOUNT FOLLOWING RECEIPT OF BIDS: The aggregate principal amount of the 2007A Bonds is preliminary and subject to change by an amount not to exceed \$4,500,000. The Corporation reserves the right to reduce or increase the principal amount of 2007A Bonds for which proposals are being solicited. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amounts of the 2007A Bonds. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity at the initial reoffering price will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the County will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 11:00 A.M., P.D.T. on the date of award of the 2007A Bonds.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY. Bids must be submitted on the Official Bid Form that resides on the PARITY system, without alteration or interlineations. Subscription to the Thomson Financial Municipal Group's BIDCOMP Competitive Bidding System is required in order to submit a bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The County is using PARITY as a communications media, and not as the County's agent, to conduct electronic bidding for the 2007A Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the 2007A Bonds on the terms provided in this Notice Inviting Bids for the Purchase of 2007A Bonds and shall be binding upon the bidder. Neither the County nor Piper Jaffray & Co., the County's Financial Advisor, shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective buyer.

If any provision of this Notice conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, Attention: Customer Support (212) 849-5021.

INTEREST RATES AND OFFERING PRICES: Bids for the purchase of the 2007A Bonds must state the rate or rates of interest to be paid and no bid at a price less than the par value of the 2007A will be considered. All 2007A Bonds of the same maturity must bear the same rate of interest. The difference between the highest interest rate bid for any maturity and the lowest interest rate bid for any other maturity shall not exceed two percent

(2.00%) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest rates must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%).

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any 2007A Bond.

AWARD AND DELIVERY: Unless all bids are rejected, the 2007A Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the County. The true interest cost will be computed by establishing the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the 2007A Bonds and the price bid, including any premium or discount. Delivery of the 2007A Bonds will be made to the purchaser upon payment in immediately available funds in Phoenix, Arizona, or, at the purchaser's request and expense, at any other place mutually agreeable to both the County and the purchaser.

FORM OF BID; SURETY BOND: The prescribed form of bid for the 2007A Bonds will be available on the PARITY system and all bids must be submitted on that form. All bids must be covered by a financial surety bond from an insurance company licensed to do business in the State of Arizona and submitted to the County or the Financial Advisor prior to the opening of the bids in an amount of \$2,162,000, which is equal to two percent (2.00%) of the par value of the 2007A Bonds (the "Deposit"). The financial surety bond must identify each bidder whose bid is guaranteed by such financial surety bond. The bidder to whom the 2007A Bonds are awarded must submit its' Deposit to the County, in the form of a certified check or wire transfer as instructed by the Financial Advisor, not later than 12:00 P.M., P.D.T. on the next business day following the award. If the Deposit is not received by that time, the financial surety bond may be drawn on by the County to satisfy the Deposit requirement. The Deposit of the successful bidder will be applied to the purchase price of the 2007A Bonds or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the 2007A Bonds immediately upon the County's satisfaction of all conditions necessary to their issuance and delivery. No interest will be paid on the Deposit of any bidder.

The Financial Advisor to the County has reserved the right to bid on the 2007A Bonds.

THE 2007A BONDS: The 2007A Bonds will be dated the date of initial delivery thereof, and will bear interest from such date to the maturity or earlier redemption of each of the 2007A Bonds at a rate or rates none of which may exceed six and one-half percent (6.5%) per annum, payable on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year during the term of each of the 2007A Bonds. The 2007A Bonds are to mature on July 1 in the years and in the amounts as follows:

Due July 1	Principal Amount	Due July 1	Principal Amount
2008	\$2,085,000	2020	\$4,410,000
2009	2,680,000	2021	4,630,000
2010	2,785,000	2022	4,820,000
2011	2,895,000	2023	5,060,000
2012	3,015,000	2024	5,315,000
2013	3,165,000	2025	5,580,000
2014	3,320,000	2026	5,830,000
2015	3,490,000	2027	6,090,000
2016	3,660,000	2028	6,380,000
2017	3,845,000	2029	6,685,000
2018	4,040,000	2030	6,920,000
2019	4,240,000	2031	7,160,000

Bidders may specify that the principal amounts of the Series 2007A Bonds scheduled to mature on or after July 1, 2023 be combined into one or more term bonds subject to mandatory redemption in accordance with the schedule above. Serial maturities converted to term bond(s), as permitted, must bear the same rate of interest.

OPTIONAL REDEMPTION: The 2007A Bonds maturing on or before July 1, 2016 are not subject to call for redemption at the option of the County prior to their respective maturity dates. The 2007A Bonds maturing on or after July 1, 2017 are subject to call for redemption on any date on or after July 1, 2016 at the option of the County, in whole or in part from maturities selected by the County and within any maturity by lot, by the payment of a redemption price equal to the principal amount of each Bond called for redemption, plus accrued interest to the date fixed for redemption, without premium. (All of the 2007A Bonds are subject to special redemption prior to maturity under certain circumstances as described in the Official Statement.)

NOTICE OF REDEMPTION: Notice of redemption will be given by mail to the registered owners of the 2007A Bonds at the address shown on the bond register maintained by the bond registrar not less than thirty (30) days nor more than sixty (60) days prior to the specified redemption date.

BOOK ENTRY ONLY SYSTEM: The 2007A Bonds will initially be issued to and registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), an automated clearinghouse for securities transactions, which will act as securities depository for the 2007A Bonds. One fully registered Bond, in the aggregate principal amount of each maturity, will initially be registered in the name of and held by Cede & Co., as nominee for DTC.

So long as the book entry only system is in effect, beneficial ownership interests in the 2007A Bonds will be available in book entry form only through direct or indirect participants in DTC, in the principal amount of \$5,000 or any integral multiple thereof. Beneficial owners of the 2007A Bonds will not receive certificates representing their interests in the 2007A Bonds and will not be deemed to be registered owners of the 2007A Bonds.

So long as the book entry only system is in operation, principal of and interest on the 2007A Bonds will be payable by The Bank of New York Trust Company, N.A., as bond registrar and paying agent, to Cede & Co., as nominee of DTC, which organization consequently bears sole responsibility for remitting such principal and interest to the DTC participants for subsequent credit or disbursement to the beneficial owners of the 2007A Bonds.

In the event the County determines not to continue the DTC book entry only system or DTC determines to discontinue providing its services with respect to the 2007A Bonds and the County does not select another qualified securities depository, the County is required to deliver to DTC for redistribution to beneficial owners of the 2007A Bonds one or more bond certificates in such principal amount or amounts, in denominations of \$5,000 and any integral multiple thereof, and registered in such name or names, as DTC shall designate.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be assigned to the 2007A Bonds, but no failure to assign such numbers to any 2007A Bonds, nor any error with respect thereto, shall constitute cause for failure or refusal by the purchaser thereof to accept and pay for the 2007A Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Bond or of the contract evidenced thereby. The CUSIP Service Bureau charge for the assignment of CUSIP numbers shall be paid by the purchaser of the 2007A Bonds.

PURPOSE AND SECURITY: The 2007A Bonds will be issued pursuant to a Trust Indenture, as supplemented (the "Indenture"), between the Corporation and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the 2007A Bonds will be used by the Corporation to acquire certain parcels of land (the "Leased Land") and existing improvements on the land (the "Existing Improvements"), and to construct additional improvements on the Leased Land (the "New Improvements" and together with the Leased Land and the Existing Improvements the "Leased Property"). The Leased Property will be leased to the County pursuant to a Lease-Purchase Agreement, as supplemented (the "Lease"). The 2007A Bonds are payable from lease payments (the "Lease Payments") to be made by the County pursuant to the Lease and are further secured by the funds and property interests held by the Trustee pursuant to the Indenture. The 2007A Bonds are to be payable from the Lease Payments and secured by the property held by the Trustee pursuant to the Indenture on a parity basis with the Corporation's Series 2001, Series 2003, the 2007B Bonds and any Additional Bonds issued in the future pursuant to the Indenture. The obligations of the County under the Lease are payable exclusively from annually budgeted and appropriated funds and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year at the option of the County. If so terminated, the County will be relieved of any subsequent obligation under the Lease other than to surrender the Leased Property to the Trustee. The 2007A Bonds shall not

constitute a debt or obligation of the County within the meaning of any constitutional or statutory debt limitation, nor shall payment of the 2007A Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the revenues pledged to such payment nor shall the owner of any 2007 A Bond have the right to compel any exercise of the taxing power of the County to make such payment.

BOND INSURANCE: The County has received a commitment from Ambac (the “Bond Insurer”) to issue its insurance policy insuring payment of scheduled interest on and principal of the 2007A Bonds concurrently with the issuance of the 2007A Bonds. The County will pay the premium for the bond insurance policy and delivery of the policy is a condition of the winning bidder to pick up and pay for the 2007A Bonds at the closing.

RIGHT OF REJECTION: The County reserves the right, in its discretion, to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

NOTICE REGARDING STATE CONTRACTS: Arizona law requires that every contract to which the State, its political subdivisions or any of the departments or agencies of the State or its political subdivisions, including the County, is a party include notice that such contract is subject to cancellation, within three (3) years after its execution, by the State, or the political subdivision, including the County, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting, or creating the contract on behalf of the State, or the political subdivision, including the County, department, or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

LEGAL OPINION: The 2007A Bonds are sold with the understanding that the County will furnish the purchaser with the approving opinion of Squire, Sanders & Dempsey L.L.P. Said attorneys have been retained by the County as Bond Counsel and in such capacity are to render their opinion only upon the legality of the 2007A Bonds under Arizona law and on the exclusion of the interest on the 2007A Bonds from the gross income of the owners of the 2007A Bonds for federal and state of Arizona income tax purposes. Fees of Bond Counsel will be paid from the Bond proceeds.

TAX EXEMPT STATUS: The Internal Revenue Code of 1986, as amended (the “Code”) prescribes a number of qualifications and conditions which apply to the 2007A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and the facilities financed therewith and certain other matters. The County has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the 2007A Bonds to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the 2007A Bonds to become includable in gross income retroactive to the date of issuance of the 2007A Bonds.

Subject to the condition that the County comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the 2007A Bonds are not “private activity 2007A Bonds” under the Code, and interest on the 2007A Bonds will not be includable in gross income of the owners thereof for federal or Arizona income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the 2007A Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest.

Ownership of the 2007A Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the 2007A Bonds should consult their tax advisors as to applicability of any such collateral consequences. Bond counsel will express no opinion regarding these consequences.

CERTIFICATE TO BE DELIVERED BY SUCCESSFUL BIDDER: Simultaneously with or before delivery of the 2007A Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel to the effect that (i) all of the 2007A Bonds have been the subject of an initial bona fide offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the prices shown on such certificate plus accrued interest, if any, (ii) at the time they agreed to purchase the 2007A Bonds, based upon their assessment of the then prevailing market conditions, they reasonably expected that all 2007A Bonds would be initially sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of the underwriters or wholesalers) at the prices shown on such certificate, plus accrued interest, if any, and (iii) the prices shown on such certificate for each of the 2007A Bonds were the fair market value of such 2007A Bonds as of the sale date.

CERTIFICATES TO BE DELIVERED BY COUNTY: Representatives of the County will deliver certificates to the effect that (i) no litigation is pending affecting the issuance and sale of the 2007A Bonds and (ii) to their best knowledge, information and belief, the information contained in the Official Statement relating to the 2007A Bonds is true and correct in all material respects. The County will also deliver a tax compliance certificate covering its reasonable expectations concerning use of the proceeds of the 2007A Bonds and related matters.

OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The County deems the Official Statement provided in connection with the sale of the 2007A Bonds to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

The winning bidder must provide the County, within twenty-four (24) hours after the award of the 2007A Bonds, with all necessary offering price information, selling compensation information, all other terms of the sale which are depending on such matters and any underwriter information, all as may be necessary to complete the final Official Statement.

Within seven (7) business days after the award of the 2007A Bonds, the County will provide the winning bidder with up to one hundred (100) copies of the final Official Statement at no cost. Additional copies of the final Official Statement may be obtained from the County at the winning bidder's expense. The final Official Statement will be in substantially the same form as the Official Statement with such additions, deletions or revisions as the County deems necessary.

CONTINUING DISCLOSURE: The County will enter into a continuing disclosure undertaking with respect to the 2007A Bonds, which undertaking will be described in the Official Statement.

ADDITIONAL INFORMATION: The Official Statement relating to the 2007A Bonds will be furnished to any bidder upon request made to Piper Jaffray & Co., 2525 East Camelback Road, Suite 925, Phoenix, Arizona 85016-4231, Financial Advisor to the County, telephone number (602) 808-5428.

MARICOPA COUNTY PUBLIC FINANCE CORPORATION
MARICOPA COUNTY, ARIZONA

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NOTICE INVITING PROPOSALS FOR THE PURCHASE OF
\$32,840,000
MARICOPA COUNTY PUBLIC FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS
SERIES 2007B

NOTICE IS HEREBY GIVEN that the Maricopa County Public Finance Corporation (the "Corporation") will receive proposals via PARITY® (PARITY) up to and including the hour of 10:00 A.M., Pacific Daylight Time (P.D.T.), on May 8, 2007, for the purchase of all, but not less than all, of \$32,840,000 aggregate principal amount of Lease Revenue Refunding Bonds, Series 2007B (the "2007B Bonds"), unless the Chief Finance Officer of Maricopa County, Arizona (the "County") or his designee postpones receipt of bids to a later date. A determination to postpone the sale date will be made and announced by 11:00 A.M., P.D.T. on the business day preceding the scheduled sale date. If the date for receipt of bids is postponed, the County will give notice of the postponement by PARITY at i-Deal.com. Submission of bids is further discussed below. The Chief Finance Officer of the County will consider the bids received and award the 2007B Bonds to the bidder offering the best bid or will reject all bids.

TIME FOR RECEIPT OF BIDS: Bids will be received to and including the hour of 10:00 A.M., P.D.T. on May 8, 2007. The time maintained by PARITY shall constitute the official time.

ADJUSTMENT OF PRINCIPAL AMOUNT FOLLOWING RECEIPT OF BIDS: The County reserves the right to reduce or increase the principal amount of 2007B Bonds for which proposals are being solicited. Bidders are advised to contact the Financial Advisor not more than twenty-four hours prior to the stated bid date and time for adjustments to the proposed principal maturity amounts. The bid price paid by the winning bidder will be adjusted to reflect any change in the aggregate principal amounts of the 2007B Bonds. Such adjusted bid will reflect changes in the dollar amount of the underwriting discount and original issue discount/premium, but will not change the underwriting discount percentage based on the bid price in the winning bid and the initial reoffering prices. The interest rates specified by the winning bidder for each maturity at the initial reoffering price will not change. The winning bidder may not withdraw its bid as a result of any changes made within these limits. A representative of the County will notify the winning bidder of the final principal maturity amounts and the resulting adjusted purchase price no later than 1:00 P.M., P.D.T. on the date of award of the 2007B Bonds.

ELECTRONIC BIDDING PROCEDURES: Bids may be submitted only through the facilities of PARITY. Bids must be submitted on the Official Bid Form that resides on the PARITY system, without alteration or interlineations. Subscription to the Thomson Financial Municipal Group's BIDCOMP Competitive Bidding System is required in order to submit a bid. The County will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. The County is using PARITY as a communications media, and not as the County's agent, to conduct electronic bidding for the 2007B Bonds.

All bids made through the facilities of PARITY shall be deemed irrevocable offers to purchase the 2007B Bonds on the terms provided in this Notice Inviting Bids for the Purchase of 2007B Bonds and shall be binding upon the bidder. Neither the County nor Piper Jaffray & Co., the County's Financial Advisor, shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective buyer.

If any provision of this Notice conflicts with information provided by PARITY as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1395 Broadway, 2nd Floor, New York, New York, 10018, Attention: Customer Support (212) 849-5021.

INTEREST RATES AND OFFERING PRICES: Bids for the purchase of the 2007B Bonds must state the rate or rates of interest to be paid and no bid at a price less than the par value of the 2007B Bonds will be

considered. All 2007B Bonds of the same maturity must bear the same rate of interest. The difference between the highest interest rate bid for any maturity and the lowest interest rate bid for any other maturity shall not exceed two percent (2.00%) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest rates must be expressed in multiples of one-eighth (1/8th) or one-twentieth (1/20th) of one percent (1%).

Any interest rate bid which would result in an interest payment amount having fractional cents will be deemed a waiver of the right to payment of such fractional cents. No fractional cents will be paid or accumulated for payment on any 2007B Bond.

AWARD AND DELIVERY: Unless all bids are rejected, the 2007B Bonds will be awarded to the bidder whose bid results in the lowest true interest cost to the County. The true interest cost will be computed by establishing the interest rate (compounded semiannually) necessary to discount the debt service payments from their respective payment dates to the dated date of the 2007B Bonds and the price bid, including any premium or discount. Delivery of the 2007B Bonds will be made to the purchaser upon payment in immediately available funds in Phoenix, Arizona, or, at the purchaser's request and expense, at any other place mutually agreeable to both the County and the purchaser.

FORM OF BID; SURETY BOND: The prescribed form of bid for the 2007B Bonds will be available on the PARITY system and all bids must be submitted on that form. All bids must be covered by a financial surety bond from an insurance company licensed to do business in the State of Arizona and submitted to the County or the Financial Advisor prior to the opening of the bids in an amount of \$656,000, which is equal to two percent (2.00%) of the par value of the 2007B Bonds (the "Deposit"). The financial surety bond must identify each bidder whose bid is guaranteed by such financial surety bond. The bidder to whom the 2007B Bonds are awarded must submit its' Deposit to the County, in the form of a certified check or wire transfer as instructed by the Financial Advisor, not later than 12:00 P.M., P.D.T. on the next business day following the award. If the Deposit is not received by that time, the financial surety bond may be drawn on by the County to satisfy the Deposit requirement. The Deposit of the successful bidder will be applied to the purchase price of the 2007B Bonds or retained and forfeited as liquidated damages in the event such bidder does not take up and pay for the 2007B Bonds immediately upon the County's satisfaction of all conditions necessary to their issuance and delivery. No interest will be paid on the Deposit of any bidder.

The Financial Advisor to the County has reserved the right to bid on the 2007B Bonds.

THE 2007B BONDS: The 2007B Bonds will be dated the date of initial delivery thereof, and will bear interest from such date to the maturity or earlier redemption of each of the 2007B Bonds at a rate or rates none of which may exceed six and one-half percent (6.5%) per annum, payable on January 1, 2008, and semiannually thereafter on January 1 and July 1 of each year during the term of each of the 2007B Bonds. The 2007B Bonds are to mature on July 1 in the years and in the amounts as follows:

<u>Due July 1</u>	<u>Principal Amount</u>
2012	\$ 7,130,000
2013	8,210,000
2014	8,520,000
2015	8,980,000

OPTIONAL REDEMPTION: The 2007B Bonds are not subject to call for redemption prior to their respective maturity dates at the option of the County. (The 2007B Bonds are subject to special redemption prior to maturity under certain circumstances as described in the Official Statement.)

BOOK ENTRY ONLY SYSTEM: The 2007B Bonds will initially be issued to and registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), an automated clearinghouse for securities transactions, which will act as securities depository for the 2007B Bonds. One fully registered Bond, in the aggregate principal amount of each maturity, will initially be registered in the name of and held by Cede & Co., as nominee for DTC.

So long as the book entry only system is in effect, beneficial ownership interests in the 2007B Bonds will be available in book entry form only through direct or indirect participants in DTC, in the principal amount of \$5,000 or any integral multiple thereof. Beneficial owners of the 2007B Bonds will not receive certificates representing their interests in the 2007B Bonds and will not be deemed to be registered owners of the 2007B Bonds.

So long as the book entry only system is in operation, principal of and interest on the 2007B Bonds will be payable by The Bank of New York Trust Company, N.A., as bond registrar and paying agent, to Cede & Co., as nominee of DTC, which organization consequently bears sole responsibility for remitting such principal and interest to the DTC participants for subsequent credit or disbursement to the beneficial owners of the 2007B Bonds.

In the event the County determines not to continue the DTC book entry only system or DTC determines to discontinue providing its services with respect to the 2007B Bonds and the County does not select another qualified securities depository, the County is required to deliver to DTC for redistribution to beneficial owners of the 2007B Bonds one or more bond certificates in such principal amount or amounts, in denominations of \$5,000 and any integral multiple thereof, and registered in such name or names, as DTC shall designate.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be assigned to the 2007B Bonds, but no failure to assign such numbers to any 2007B Bonds, nor any error with respect thereto, shall constitute cause for failure or refusal by the purchaser thereof to accept and pay for the 2007B Bonds in accordance with the terms of the sale. No CUSIP number shall be deemed to be a part of any Bond or of the contract evidenced thereby. The CUSIP Service Bureau charge for the assignment of CUSIP numbers shall be paid by the purchaser of the 2007B Bonds.

PURPOSE AND SECURITY: The 2007B Bonds are being issued for the purpose of refunding certain outstanding maturities of the Series 2001 Lease Revenue Bonds and to pay costs associated with the issuance of the 2007B Bonds.

The 2007B Bonds will be issued pursuant to a Trust Indenture, as supplemented (the "Indenture"), between the Corporation and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The County's obligation to make Lease Payments under the Lease is subject to annual appropriation. The 2007B Bonds are to be payable from the Lease Payments and secured by the property held by the Trustee pursuant to the Indenture on a parity basis with the Corporation's Series 2001, Series 2003 and 2007A Bonds and any Additional Bonds issued in the future pursuant to the Indenture. The obligations of the County under the Lease are payable exclusively from annually budgeted and appropriated funds and will not be a general obligation or indebtedness of the County for any purpose. The obligation of the County to make payments under the Lease is subject to termination as of the last day of each fiscal year at the option of the County. If so terminated, the County will be relieved of any subsequent obligation under the Lease other than to surrender the Leased Property to the Trustee. The 2007B Bonds shall not constitute a debt or obligation of the County within the meaning of any constitutional or statutory debt limitation, nor shall payment of the 2007B Bonds or interest or redemption premiums thereon be enforceable out of any funds other than the revenues pledged to such payment nor shall the owner of any 2007B Bond have the right to compel any exercise of the taxing power of the County to make such payment.

BOND INSURANCE: The County has received a commitment from Ambac (the "Bond Insurer") to issue its insurance policy insuring payment of scheduled interest on and principal of the 2007B Bonds concurrently with the issuance of the 2007B Bonds. The County will pay the premium for the bond insurance policy and delivery of the policy is a condition of the winning bidder to pick up and pay for the 2007B Bonds at the closing.

RIGHT OF REJECTION: The County reserves the right, in its discretion, to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence.

NOTICE REGARDING STATE CONTRACTS: Arizona law requires that every contract to which the State, its political subdivisions or any of the departments or agencies of the State or its political subdivisions, including the County, is a party include notice that such contract is subject to cancellation, within three (3) years after its execution, by the State, or the political subdivision, including the County, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting, or creating

the contract on behalf of the State, or the political subdivision, including the County, department, or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

LEGAL OPINION: The 2007B Bonds are sold with the understanding that the County will furnish the purchaser with the approving opinion of Squire, Sanders & Dempsey L.L.P. Said attorneys have been retained by the County as Bond Counsel and in such capacity are to render their opinion only upon the legality of the 2007B Bonds under Arizona law and on the exclusion of the interest on the 2007B Bonds from the gross income of the owners of the 2007B Bonds for federal and state of Arizona income tax purposes. Fees of Bond Counsel will be paid from the Bond proceeds.

TAX EXEMPT STATUS: The Internal Revenue Code of 1986, as amended (the "Code") prescribes a number of qualifications and conditions which apply to the 2007B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and the facilities financed therewith and certain other matters. The County has covenanted to comply with all requirements of the Code that must be satisfied in order for the interest on the 2007B Bonds to be excludable from gross income. Failure to comply with certain of such covenants could cause interest on the 2007B Bonds to become includable in gross income retroactive to the date of issuance of the 2007B Bonds.

Subject to the condition that the County comply with the above-referenced covenants, under present law, in the opinion of Bond Counsel, the 2007B Bonds are not "private activity 2007B Bonds" under the Code, and interest on the 2007B Bonds will not be includable in gross income of the owners thereof for federal or Arizona income tax purposes, and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the 2007B Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest.

Ownership of the 2007B Bonds may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the 2007B Bonds should consult their tax advisors as to applicability of any such collateral consequences. Bond counsel will express no opinion regarding these consequences.

CERTIFICATE TO BE DELIVERED BY SUCCESSFUL BIDDER: Simultaneously with or before delivery of the 2007B Bonds, the successful bidder shall furnish to the County a certificate acceptable to Bond Counsel to the effect that (i) all of the 2007B Bonds have been the subject of an initial bona fide offering to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the prices shown on such certificate plus accrued interest, if any, (ii) at the time they agreed to purchase the 2007B Bonds, based upon their assessment of the then prevailing market conditions, they reasonably expected that all 2007B Bonds would be initially sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of the underwriters or wholesalers) at the prices shown on such certificate, plus accrued interest, if any, and (iii) the prices shown on such certificate for each of the 2007B Bonds were the fair market value of such 2007B Bonds as of the sale date.

CERTIFICATES TO BE DELIVERED BY COUNTY: Representatives of the County will deliver certificates to the effect that (i) no litigation is pending affecting the issuance and sale of the 2007B Bonds and (ii) to their best knowledge, information and belief, the information contained in the Official Statement relating to the 2007B Bonds is true and correct in all material respects. The County will also deliver a tax compliance certificate covering its reasonable expectations concerning use of the proceeds of the 2007B Bonds and related matters.

OFFICIAL STATEMENT DEEMED FINAL; FINAL OFFICIAL STATEMENT: The County deems the Official Statement provided in connection with the sale of the 2007B Bonds to be final as of its date except for the omission of offering prices, selling compensation, delivery dates, terms to be specified in the winning bidder's bid, ratings, other terms depending on such matters and the identity of the winning bidder.

The winning bidder must provide the County, within twenty-four (24) hours after the award of the 2007B Bonds, with all necessary offering price information, selling compensation information, all other terms of the sale

which are depending on such matters and any underwriter information, all as may be necessary to complete the final Official Statement.

Within seven (7) business days after the award of the 2007B Bonds, the County will provide the winning bidder with up to one hundred (100) copies of the final Official Statement at no cost. Additional copies of the final Official Statement may be obtained from the County at the winning bidder's expense. The final Official Statement will be in substantially the same form as the Official Statement with such additions, deletions or revisions as the County deems necessary.

CONTINUING DISCLOSURE: The County will enter into a continuing disclosure undertaking with respect to the 2007B Bonds, which undertaking will be described in the Official Statement.

ADDITIONAL INFORMATION: The Official Statement relating to the 2007B Bonds will be furnished to any bidder upon request made to Piper Jaffray & Co., 2525 East Camelback Road, Suite 925, Phoenix, Arizona 85016-4231, Financial Advisor to the County, telephone number (602) 808-5428.

MARICOPA COUNTY PUBLIC FINANCE CORPORATION
MARICOPA COUNTY, ARIZONA

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APPENDIX J

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

PiperJaffray.